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# PRELIMINARY REPORT AND HEARINGS

OF THE
JOINT COMMITTEE ON

# POSTAGE ON SECOND-CLASS MAIL MATTER AND COMPENSATION FOR THE TRANSPORTATION OF MAIL

OF THE

CONGRESS OF THE UNITED STATES

---

JANUARY 24, 1913, TO APRIL 3, 1914

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Printed for the use of the Joint Committee

WASHINGTON
GOVERNMENT PRINTING OFFICE
1914

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JOINT COMMITTEE ON POSTAGE ON SECOND-CLASS MAIL MATTER AND COMPENSATION FOR THE TRANSPORTATION OF MAIL.

CONGRESS OF THE UNITED STATES.

Senators:
JONATHAN BOURNE, JR., *Chairman.*
HARRY A. RICHARDSON.
JOHN H. BANKHEAD.

Representatives:
JAMES T. LLOYD.
WILLIAM E. TUTTLE, JR.
JOHN W. WEEKS.

ROBERT H. TURNER, *Secretary.*
RICHARD B. NIXON, *Disbursing Officer.*

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# RAILWAY MAIL PAY.

*To the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail:*

GENTLEMEN: The Post Office appropriation act approved August 24, 1912, contained a provision reading as follows:

*Provided*, That a joint committee shall be appointed composed of three members of the Senate Committee on Post Offices and Post Roads and three members of the House Committee on the Post Office and Post Roads, to be designated by the respective chairmen, to make inquiry into the subject of postage on second-class mail matter and compensation for the transportation of mail and to report at the earliest practicable date, and for this purpose they are authorized, by subcommittee or otherwise, to sit during the sessions or recess of Congress, at such times and places as they may deem advisable, to send for persons and papers, to administer oaths, to summon and compel the attendance of witnesses, and to employ such clerical, expert, and stenographic assistance as shall be necessary; and to pay the necessary expenses of such inquiry there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of twenty-five thousand dollars, to be paid out upon the audit and order of the chairman or acting chairman of said committee.

On August 24, acting under authority of this provision, the President of the Senate appointed on this joint committee Senators Jonathan Bourne, jr., of Oregon; Harry A. Richardson, of Delaware; and John H. Bankhead, of Alabama. The Speaker of the House of Representatives on the same day appointed on the same committee James T. Lloyd, of Missouri; William E. Tuttle, jr., of New Jersey; and John W. Weeks, of Massachusetts.[1]

On August 26 Congress adjourned sine die and immediately almost all Members of Congress departed for their homes. Owing to the press of legislative business on the last two days of the session, there was no time for the organization of this joint committee and the formulation of a plan of procedure.

On August 12, 1911, the Postmaster General transmitted a letter to the Speaker of the House of Representatives submitting "A report giving the results of the inquiry as to the operation, receipts, and expenditures of railroad companies transporting the mails and recommending legislation on the subject," said letter and accompanying report being printed as House Document No. 105, Sixty-second Congress, first session.

In response to representations made to the Senate Committee on Post Offices and Post Roads by the Post Office Department through the Second Assistant Postmaster General I was authorized by the committee to introduce a bill prepared by the Post Office Department embodying in legislative form the recommendations made in the document above referred to, the purpose being to get before Congress and the country the views of the department relative to

[1] After Mar. 3, 1913, Hon. Jonathan Bourne, jr., and Hon. Harry A. Richardson ceased to be Members of the Senate, and Hon. John W. Weeks, a Member of the House of Representatives, to become a Senator of the United States, but by the Post Office appropriation act approved Mar. 4, 1913, the personnel of the committee was continued, with the same authorities, powers, and provisions for expenses as authorized by the act of Aug. 24, 1912, Hon. Jonathan Bourne, jr., and Hon. Harry A. Richardson serving without compensation.

this important subject. I accordingly, on July 26, 1912, introduced S. 7371, a bill to provide the manner of determining the compensation of railroads for the transportation of the mails, in the language following, to wit:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper. For this purpose he is authorized to credit, assign, and apportion the revenues and expenses of railroad companies so reported in such manner as he shall deem fair and equitable and in his judgment necessary to ascertain the cost as near as practicable, a statement of which shall be given the company concerned. If any railroad company shall object to the method of crediting, assigning, and apportioning the revenues and expenses, it may file objection with the Postmaster General within twenty days after such statement is made to the company, and the Postmaster General shall thereupon certify the method and objection, and such papers as in his judgment may be essential to an understanding of the method, to the Interstate Commerce Commission, who shall review the finding of the Postmaster General and affirm, modify, or revise the same, and certify the result to the Postmaster General, which action thereon shall be final.

The Postmaster General is authorized and directed to readjust the pay to companies operating railroads for the transportation and handling of the mails and furnishing facilities in connection therewith, not less frequently than once in each fiscal year, commencing with July first, nineteen hundred and twelve, at a rate of compensation per annum not exceeding the cost to the railroad companies of carrying the mails as ascertained by him, and six per centum of such cost: *Provided*, That when such ascertained cost and six per centum does not equal twenty-five dollars per mile per annum, he may, in his discretion, allow not exceeding such rate.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive not exceeding the cost to them of performing the service.

Information shall be furnished and adjustments made as near as practicable by accounting systems or roads, and the cost and the compensation for the term shall be stated for all service covered by each system or road. The routes for a system or road may be stated for administrative purposes in such manner as the Postmaster General may determine.

The Postmaster General may order new or additional service during a term for which an adjustment shall have been made or service authorized on any system or road, in any train operated by such system or road over any part of the trackage included in the adjustment or authorization, and without additional compensation therefor during such term.

He may order service over new or additional trackage of an adjusted system or road during a term and state the amount performed for the remainder of such term on statistics obtained for the first thirty days of service. Payment therefor may be made at not exceeding the average rate per car-foot mile for the system or road ascertained at the regular adjustment. Entire discontinuance of service over trackage included in the adjustment or thereafter added shall be deducted for at the car-foot mile rate of adjustment or mile rate of authorization. In case the operation of service over trackage included in an adjustment or thereafter added is undertaken by another company during the term, the same may be recognized by the Postmaster General, provided the companies in interest shall file with him their joint agreement as to the part of the compensation of the old operating company to be paid the new operating company; otherwise payment to the company first authorized shall be full payment for all service performed for the term.

The Postmaster General may order service over trackage of a railroad company not operating service under an adjustment or authorization after the regular adjustment for the remainder of the term, and pay therefor at not exceeding forty-two dollars and seventy-five cents per mile of trackage per annum.

Service over property owned or controlled by a terminal company shall be considered service of the roads or systems using such property and not that of the terminal company.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish

all cars or parts of cars used in the transportation and distribution of the mails, and place them in stations before the departure of trains when required to do so. They shall provide side, terminal, and direct transfer service and all station and depot space and rooms for handling, distribution, and transfer of mails en route, and for offices and rooms for the employees of the postal service engaged in such transportation, when ordered by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, and all duly accredited agents and officrs of the Post Office Department and the postal service, while traveling on official business, upon the exhibition of their credentials.

All cars or parts of cars used for the Railway Mail Service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No payment shall be made for service by any railway post-office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay for service shall be allowed for the operation of any wooden railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for any wooden railway post-office car run in any train between adjoining steel or steel underframe cars, or between the engine and steel or steel underframe car adjoining. All additional cars accepted for this service shall be of steel or with steel underframe if used in a train in which a majority of the cars are of steel or steel underframe. After the first of July, nineteen hundred and sixteen, the Postmaster General shall not approve or allow to be used or pay for the use of any railway post-office car not constructed of steel or with steel underframe, if such car is used in a train in which a majority of the cars are of steel or of steel underframe construction. The Postmaster General shall make deductions from the pay of the railroad companies on the basis of the value of the service computed on the car-foot mile basis in all cases where the cars do not comply with the provisions of this Act.

The space in cars devoted to the use of the mails, as ascertained during the period fixed by the Postmaster General for the rendition of information by the railroad companies, shall be taken as the basis for computing the car-foot miles devoted to the mail service for the purpose of readjustment, effective from the first of July next following: *Provided*, That no credit shall be given for space in cars devoted to the distribution of the mails unless such space shall be authorized by the Postmaster General or unless he shall determine that its use is made necessary by a specific authorization.

If any railroad company shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to contruct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as shall, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates all mailable matter directed to be carried thereon. If any railroad company shall fail or refuse to transport the mails when required by the Postmaster General upon any train or trains it operates, such company shall be fined such amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it and impose fines upon them for delinquencies. He may deduct the price of the value of the service in such cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The Postmaster General is authorized to have such weights of mails and measurements of space taken and to collect such other information by sworn employees of the Post Office Department as he may deem necessary and to have such information stated and verified to him by such employees, under such instructions as he may consider just to the Post Office Department and the railroad companies, to assist in the ascertainment of the space used for

the transportation and the handling of the mails on railroads, and to employ such special clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroads.

The provisions of this act shall apply to service operated by railroad companies partly by railroad and partly by steamboats.

The provisions of this act respecting the rate of compensation and the determination thereof shall not apply to mails conveyed under special arrangement in freight trains, for which a rate not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

It shall be unlawful for any railroad company to refuse to carry the mails at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding $5,000.

All laws or parts of laws inconsistent herewith are hereby repealed.

## VIEWS OF RAILROADS REQUESTED.

The bill was referred to the Committee on Post Offices and Post Roads on the date of its introduction in the Senate, but owing to the fact that the Post Office appropriation bill was already burdened with many items of new legislation the committee deemed it unwise, as it was impracticable, to undertake to legislate upon a subject of such magnitude in the time intervening between the introduction of the bill and the near approach to the close of the second session of the Sixty-second Congress. It was such consideration as this that led to the authorization and appointment of the joint committee.

Recognizing the importance and the magnitude of the task assigned to the joint committee and desiring as much as possible to expedite its work, I, after the adjournment of Congress and before leaving Washington, addressed a circular letter to the executive officers of all railroads carrying the mails, 795 in number, the purpose being to secure an expression of opinion on the plan recommended by the Post Office Department and embodied in S. 7371. The letter reads as follows:

WASHINGTON, *September 11, 1912.*

MY DEAR SIR: I hand you herewith a copy of Senate bill 7371, introduced by me by direction of the Senate Committee on Post Offices and Post Roads, embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for transportation of the mails. This general subject has been referred to a joint committee of Congress. The committee has not yet organized and probably will not do so for several weeks; but as a member of that committee and as chairman of the Senate Committee on Post Offices and Post Roads, and under authority of Senate resolution 56, I desire to secure immediately such information as may be available for submission to the committee at its first meeting. I will ask you, therefore, to answer the following questions:

(1) Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

(2) Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

(3) What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

I desire an early reply to these inquiries relating to the general plan, and if you are not ready to do so now shall be glad to have you submit later a detailed discussion of this bill and of House Document No. 105, Sixty-second Congress, first session, with which, I assume, you are familiar.

Yours, very truly,

JONATHAN BOURNE, Jr.,
*Chairman Senate Committee on Post Offices and Post Roads.*

## REPLY BY COMMITTEE ON RAILWAY MAIL PAY.

In a letter dated October 3, Mr. Ralph Peters, acting chairman, committee on railway mail pay, representing 268 railroads operating over 214,275 miles of railroad, responded to the questions propounded in the circular letter referred to as follows:

NEW YORK, *October 3, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Senate Committee on Post Offices and Post Roads,*
*Washington, D. C.*

MY DEAR SIR: The committee on railway mail pay, representing 268 roads operating over 214,275 miles of railroad, has been investigating the subject of mail compensation for about three years, or since the Post Office Department, in 1909, sent out a series of questions regarding the space furnished for mails in passenger trains, and the cost to railroad companies of the service which they perform for the Government in the carriage of the mails. Therefore the committee has thought it would be of interest to you to receive from it an answer to the questions propounded by your letter of September 11, 1912, addressed to the officers of railroads throughout the country.

A response to House Document No. 105 is now in course of preparation, and will be submitted at an early date. In the meantime, our committee desires to submit the following replies to your inquiries:

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

Answer. The existing law has never worked to the disadvantage of the Government, but has failed to do justice to the railways, by reason of infrequent weighing; absence of pay for nearly 40 per cent of the space occupied as traveling post offices; the performance, without pay, of side and terminal messenger service; and the unjustifiable reduction in pay by the act of Congress dated March 2, 1907, supplemented by Order No. 412 of the Postmaster General, changing the divisor.

The present law is based upon correct principles, but should be so amended as to provide—

(*a*) For the repeal of the act of March 2, 1907.

Notwithstanding the large increase in every other item connected with the administration of the Post Office Department, the railroads' pay has been singled out as the one element in these operations for concentration of economies. This, too, in the face of the fact that the operating expenses of the railroads have been greatly augmented by the requirements of the law with reference to steel equipment, and a general increase in cost characteristic of all business operations.

(*b*) For annual weighings, and a definite and just method for ascertaining daily average weights.

Under the quadrennial weighing, all increased weight of mail during the next succeeding four years is carried by the railroads without any compensation whatever, which is manifestly unfair.

The railroads must provide car space and facilities for the maximum weight offered at any time, yet they are paid only for the average weight carried. The Postmaster General's order covering the divisor has unfairly reduced this average.

This provision is essentially necessary in view of the bill establishing the parcel post, effective January 1, 1913, which will result in taking from the express service traffic for which the railroad companies now receive compensation and transferring it to the mail service; the bill referred to containing no provision for payment to the railroad companies for the increased tonnage to be handled in mail cars, although such provision was made for the star routes and the city wagon service.

(*c*) For pay for apartment cars on some basis that will compensate for the service.

That the Postmaster General has himself recognized the justice of such a change is indicated in the following quotation from page 3 of House Document No. 105: "* * * an additional amount may be allowed for railway post-office cars when the space for distribution purposes occupies 40 feet or more of the car length. No additional compensation is allowed for space for distribution

purposes occupying less than 40 feet of the car length. This distinction is a purely arbitrary one and without any logical reason for its existence."

(*d*) For a fair allowance to the railroads for the side and terminal messenger service which they perform for the Post Office Department, according to the value of this service to the Post Office Department.

The necessity for this is also emphasized by the establishment of the parcel post, which will undoubtedly add greatly to the expense of the service.

(*e*) That all rates of pay should be definite and not subject to the discretion of the officers of the Post Office Department.

Other inequities exist under the present law, but are due to the administrative methods rather than to the law itself.

Question 2. Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

Answer. The underlying principle of the plan embodied in Senate bill 7371 is not correct. Any plan of compensation based upon operating cost and taxes, plus 6 per cent for profit, is fundamentally wrong, because it makes no allowance for return upon the property employed.

Furthermore, such plan is not correct because it involves paying the highest rates to the railroad that by reason of physical disabilities or inefficient methods is most expensively operated and the lowest rates to the railroad whose operations are most efficient and whose service is most satisfactory and valuable to the Post Office Department. Under the plan proposed a railroad would be penalized for all the capital expenditures made by it for the purpose of decreasing its operating cost, because the more it decreased its operating cost the more it would decrease its mail pay, although by making this improvement in operating cost it would have incurred an additional capital charge upon which it would have to pay dividends or interest.

The ascertainment of the cost to a railroad of conducting the mail service is necessarily very largely a matter of judgment and opinion, because a large proportion of the total operating expenses are expenses common to the freight and passenger traffic and can only be approximately apportioned, and there are various formulas existing for such apportionment. It would not be right or proper to intrust to the Post Office Department the discretion of selecting the formulas by which to ascertain these costs because the Post Office Department has an obvious interest at stake, its object always being to reduce the railroad pay to a minimum.

The estimated cost of a specific service is not a proper basis for fixing rates for transportation of any commodity. The railroads are entitled to receive a full and fair return for the value of the service performed, and the ascertainment of cost of such service is principally of value as a protection against the establishment of confiscatory rates.

Question 3. What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

Answer. The existing law has been in effect for nearly 40 years and those who have worked under it are more or less familiar with its operations. If it were amended to correct serious inequities, as suggested in the answer to question 1, and fairly and impartially administered by the Post Office Department, it would be preferable to any untried or theoretical plan that could be proposed.

Very respectfully, yours,

COMMITTEE ON RAILWAY MAIL PAY,
By RALPH PETERS, *Acting Chairman.*

To present more fully the points of objection raised in its letter of October 3, the committee on railway mail pay has submitted a pamphlet entitled "Mail Carying Railways Underpaid," which is in the language following, to wit:

## MAIL CARRYING RAILWAYS UNDERPAID.

### I. SCOPE OF THIS PAMPHLET.

The committee on railway mail pay, representing railways whose lines include 92 per cent of the aggregate length of all railway mail routes in the United States, believes that the payments to the railways for the services and facilities furnished by them to the Post Office Department are, and for a long time have been, unjustly low. This pamphlet contains a concise statement of the facts

which prove that this belief is warranted and, incidentally, a refutation of the estimates made by the Postmaster General and reported to the Congress (H. Doc. No. 105, 62d Cong., 1st sess.), which led him to conclude that the basis of payment could now properly be changed so as to accomplish a present reduction of about 20 per cent. It will be shown that although the insufficient data and the erroneous methods employed by the Postmaster General resulted in his making estimates of cost to the railways that are far below the real cost, his own figures and calculations, when properly analyzed and supplemented, demonstrate that the mail service has not been fairly remunerative to the railways.

Before proceeding to this demonstration it should, however, be noted that—

II. RAILWAY MAIL PAY IS ABOUT TO BE FORCED STILL FURTHER BELOW THE LEVEL OF JUST COMPENSATION, UNLESS PAYMENTS ARE PROMPTLY READJUSTED, ON ACCOUNT OF THE ADDITIONAL VOLUME OF MAIL THAT WILL RESULT FROM THE INAUGURATION, ON JANUARY 1, 1913, OF THE PARCEL POST.

Congress has provided for a vast and incalculable extension of mail traffic by creating a "parcel post," to be inaugurated on January 1, 1913, which, by opening the mails to many articles not previously accepted at the post offices and by materially reducing the rates on mailed merchandise, is expected enormously to increase the volume of the shipments which it covers. The Government seems to have assumed that under existing contracts, which were made before the meaning of the word "mail" was thus extended, the railways can be compelled, until these contracts expire, to carry this great additional volume of mail traffic without any compensation whatever. If the former practice of the Post Office Department is followed, no new contracts will be made until after the next quadrennial weighings in each of the four weighing sections, so that the position of the Government amounts to an assertion that the whole added volume of the parcel-post mails will have to be carried without any compensation by the railways of New England for four years and six months (these railways are in the first weighing section, but the weighing for the adjustment to be made on July 1, 1913, has begun and will be completed before the parcel post is inaugurated), by those of the second weighing section for three years and six months, by those of the third weighing section for two years and six months, by those of the fourth weighing section for one year and six months, and by those of the first weighing section not located in New England for six months. No presentation of the injustice of the mail pay received in former years suggests even the approximate extent of the losses which the railways will thus incur in the next four and one-half years unless readjustments are promptly made on account of the parcel post.

III. THE POSTMASTER GENERAL'S ERRONEOUS ASSERTION THAT THE RAILWAYS WERE OVERPAID "ABOUT $9,000,000" IN THE YEAR 1909 RESTS PRIMARILY UPON HIS ADOPTING AN UNPRECEDENTED THEORY WHICH ALLOWS NOTHING FOR A RETURN UPON THE CAPITAL INVESTED IN RAILWAY PROPERTY.

The Postmaster General assumed that the railways would be properly compensated if they received a sum equal to the operating expenses and taxes attributable to the carriage of the mails plus 6 per cent of the sum of those expenses and taxes. The calculation by which he obtained the sum which he assumed would have been proper compensation for the single month covered by his investigation was as follows:

| | |
|---|---|
| His estimate of operating expenses and taxes on account of mail service (Doc. No. 105, p. 280) for 1 month | $2,676,503.75 |
| 6 per cent of above | 160,590.22 |
| Total, assumed to represent just compensation for 1 month | 2,837,093.97 |

The railways having been paid, for the month selected, $770,679.16 in excess of the sum resulting from the above calculation, the Postmaster General assumed that this excess over expenses and taxes plus 6 per cent constituted excessive profit for that month. He multiplied this assumed excess by 12 to get his estimate of annual excess and stated the result, in round figures, as "about $9,000,000."

The mere statement of this method discloses the fact that it makes no allowance for any return upon the fair value of the railway property employed in the service of the public. This omission is, of itself, sufficient wholly to destroy

the Postmaster General's conclusion. Everyone recognizes that a railway is entitled to at least a reasonable return upon the value of its property devoted to the public service. The Postmaster General ignored this universally accepted principle and adopted a theory which, if applied to the general business of the companies, would render substantially every mile of railway in the United States immediately and hopelessly bankrupt. The recently published report of the Interstate Commerce Commission on the railway statistics of the year that ended with June 30, 1910, contains data by which this statement is easily demonstrated, as follows:

| | |
|---|---|
| Operating expenses of all United States railways for the year | $1,822,630,433 |
| Taxes of all United States railways for the year | 103,795,701 |
| Total | 1,926,426,134 |
| 6 per cent of above total | 115,585,568 |
| Total gross receipts permitted by Postmaster General's plan | 2,042,011,702 |

But if this plan had been in force the railways would have had, for interest on mortgage bonds, a reasonable surplus as a margin of safety, dividends on stocks, unprofitable but necessary permanent improvements,[1] rents of leased properties, etc., only the 6 per cent, or $115,585,568. This figure may be compared with the following among others:

| | |
|---|---|
| Interest obligations (on funded debt only) of all United States railways for the same year | $370,092,222 |
| Rentals of leased properties all United States railways for the same year | 133,881,409 |

Plainly, the Postmaster General's proposal is equivalent to an assertion that the railways would make a fair profit if they were enabled to collect the sum of $115,585,568 in addition to their operating expenses and taxes, but the figures given by the Interstate Commerce Commission show that this would be less than one-third of the sum necessary to meet interest charges, which must be paid in order to prevent foreclosures of mortgages, and, if bond interest could be ignored, is much less than the rentals that must be paid if the existing systems are not to be broken up. And, of course, it would allow nothing whatever for legitimate demands upon income for dividends, permanent improvements, or surplus.

It is unnecessary to dwell upon the consequences of such a theory of "compensation" to railroad credit and to the public interest in efficient transportation service, to say nothing of the consequences to owners of railroad stock and bonds. Such a theory is not a theory of compensation—it is a theory of oppression and of destruction.

The fact that the Postmaster General has found it necessary to justify his attack upon the present basis of railway mail pay by a theory so unprecedented and so unwarranted in principle and in law raises a strong presumption against all his opinions and conclusions upon this subject.

### IV. THE MAIL SERVICE SUPPLIED BY THE RAILWAYS COSTS THEM MORE IN OPERATING EXPENSES AND TAXES THAN THEY ARE PAID FOR IT, AND LEAVES NOTHING FOR RETURN ON THE PROPERTY.

It can not be too strongly emphasized that the railway mail pay at present is insufficient to pay even its proper share of operating cost and taxes and does not produce any return upon the property. This will be demonstrated by any fair inquiry, as will now be shown. Reports submitted to the Postmaster General by railways operating 2,411 mail routes, with a total length of 178,710

[1] The necessity for providing, out of income, for some kinds of improvements is commonly admitted. The public constantly demands greater comfort and convenience, which can be supplied only by improvements in property and equipment that bring in no additional income. A present example in the mail service itself is the great expense which the railways are now undergoing in substituting steel mail cars for those formerly in use. The old cars, which thus become a total loss were fully up to the most advanced standards of construction when built, and they could continue for a long time to serve the purposes of the service except for the public demand for stronger cars.

miles, showed that their gross receipts per car-foot mile,[1] from services rendered on passenger trains during November, 1909, were as follows:

| | Mills. |
|---|---|
| From mail | 3.23 |
| From other services | 4.35 |

Thus, it appears that the space on passenger trains required for the mails is proportionately less than three-quarters as productive as that devoted to passengers, express, milk, excess baggage, etc. As it is the general belief of railway managers, whose conclusion in this respect has rarely if ever been challenged, that the passenger-train services, as a whole, do not produce revenues sufficient to meet their fair proportion of the operating costs and the necessary return upon invstment, and therefore are not reasonably compensatory, it is evident that the mail service, the pay for which is more than 25 per cent below the average for the other services rendered on the same trains, must bring in much less than reasonable compensation. Certainly railroad revenues as a whole could not be reduced 25 per cent without destroying all return upon the property. If so, it must be true that there can be no compensation in a rate of mail pay that is 25 per cent less than the rate of pay for passenger raffic which, as above shown, is relatively unprofitable.

No merely statistical comparison can, however, reveal the whole story, for the railways are required to furnish many incidental facilities and to perform many additional services for the Post Office Department, which render the mail service exceptionally arduous and costly. These extra services include calling for and delivering mails at a large proportion of the post offices located at railway towns; supplying rooms, with light, heat, and water in railway stations for the use of the mail clerks; placing cars, duly lighted and heated, on station tracks for advance distribution, often many hours before the departure of trains; carrying officers and agents of the Post Office Department as passengers but without compensation to the extent of more than 50,000,000 passenger miles annually (this being, of course, in addition to the railway mail clerks on duty), etc. Extracts from the Postal Laws and Regulations defining and demanding these services are given in Appendix A. No one can examine this appendix and not be convinced that the mail service is the most exacting among all those rendered by American railways.

The fairness of railway mail pay can also be tested by apportioning operating expenses between passenger and freight traffic, and then making a secondary apportionment of the passenger expenses between mail and other kinds of traffic carried on passenger trains. This method involves charging directly to each kind of traffic all expenses pertaining exclusively thereto, and the apportionment, on some fair basis, of those expenses which are common to more than one kind of traffic.

In accordance with the request of the Postmaster General, the railways estimated the cost of conducting the mail service in the manner just explained and reported the results to the Postmaster General. After first charging to each service the expenses wholly due to it they apportioned the common expenses between the passenger and freight services, following (with inconsequential exceptions) the method most generally employed for that purpose, namely the apportionment of these expenses in the proportions of the revenue train mileage of each service. Having estimated, in this way, the operating expenses attributable to passenger trains, the railways assigned to the mails the portion of this aggregate indicated by the proportion of the total passenger train space required for the mails. Using this method, 186 railways, operating 2,370 mail routes, with a total length of 176,716 miles, ascertained and reported that for November, 1909, the operating expenses (not including taxes) for conducting the mail service were $4,009,184. The Postmaster General states (Doc. No. 105, p. 281) that all the railways represented in the foregoing, and enough others to increase the mileage represented to 194,978 miles, were paid for the same month only $3,607,773.13. It thus appears that the pay was far below the operating expenses, without making any allowance for taxes or for a return upon the fair value of the property employed.

While different methods are in use for ascertaining the cost of passenger-train service and the results produced by such methods may show considerable

[1] A car-foot mile is a unit equal to moving 1 foot in car length (regardless of width or height) 1 mile. Thus to move a car 60 feet long 1 mile results in 60 car-foot miles; to move the same car 3 miles results in 180 car-foot miles, etc.

variation, yet the mail pay is so far below reasonable compensation, from the standpoint of the cost of the service and a return upon the value of the property, that no method can be reasonably urged which would not demonstrate the noncompensatory character of the present mail pay. This is illustrated by the method which the Postmaster General himself employed, as the character of that method is such that it necessarily produces the very lowest estimate of cost for the passenger-train service.

| | |
|---|---|
| The Postmaster General by his method of apportionment arrived at a cost of | $2,676,503.75 |
| But this must be increased, as will be shown below, on account of his erroneous apportionment of car space (p. 10), by | 800,802.00 |
| And also on account of his refusal to assign expenses directly incurred in the mail service (p. 12) | [1] 401,126.00 |
| Total, according to the Postmaster General's method of apportioning costs between passenger and freight traffic | 3,878,431.75 |

Thus even the Postmaster General's method of apportioning costs between freight and passenger traffic produces an operating cost in excess of the total pay received by the railways, leaving nothing whatever for return upon the fair value of the property or necessary but nonincome-producing improvements.

There is no allowance in any of these estimates of cost for the large volume of free transportation supplied to officers and agents of the Post Office Department when not in charge of mail, although this amounts to over 50,000,000 passenger miles annually, and, at the low average rate of 2 cents per mile, would cost the Post Office Department more than $1,000,000 per year.

Moreover, as will presently be shown (pp. 13–14) all the figures here discussed are for the month of November, a month which, because of the abnormally low ratio of passenger traffic to freight traffic, substantially understates the cost of the passenger-train services, when figures derived from it are applied to an entire year.

It thus becomes evident that any inquiry which takes into consideration the necessary elements of the situation will demonstrate that railway-mail pay is too low. It is only by ignoring essential elements of the service and of expense and the fundamental element of a return on the value of the property that any argument to the contrary can be constructed.

Thus the mail traffic does not pay its operating cost. That traffic is a substantial percentage of the total public service performed by the railroads. It should contribute a substantial proportion to the taxes which the railroads have to pay and to the return on railroad property which its owners are entitled to receive. Clearly no fair method can be devised which will fail to show that the existing mail pay is far below a fairly compensatory basis. Certainly this condition ought not to be intensified by adding the injustice of still further reductions. On the contrary, the unjust reductions of recent years should be corrected for the future, and the railroads should be relieved from the strikingly unjust methods by which they are at present deprived of anything approaching fair compensation.

### V. THE POSTMASTER GENERAL'S APPORTIONMENT OF SPACE BETWEEN THE MAIL SERVICE AND THE OTHER SERVICES RENDERED ON PASSENGER TRAINS DID NOT ALLOW TO THE MAILS THE SPACE WHICH THEY ACTUALLY REQUIRE AND USE, AND THIS HAD THE RESULT OF UNDULY REDUCING HIS ESTIMATES OF THE COST TO THE RAILWAYS OF THE MAIL SERVICE.

Detailed reference will now be made to the methods and controlling effect of the Postmaster General's apportionment of passenger-train space between the mails and the other services rendered on passenger trains. Such an apportionment was a necessary step in the calculations reported in Document No. 105. Having obtained certain estimates of the cost of the passenger-train services, considered together by methods producing the lowest results, the next step shown in Document No. 105 was to apportion a part of this cost to the mail service. The accepted method for such an apportionment is to distribute the total cost in proportion to the train space required by each of the respective services. The Postmaster General obtained from the railways statements which

[1] There may be some duplication in this item, but to eliminate it would require an elaborate computation which, in view of the broad margin of expenses over receipts, is wholly superfluous. Whatever duplication exists must be small in comparison with this margin.

he might have used in applying this method, and these statements showed that 9.32 per cent of the total space in passenger trains was required by the mails; but instead of using the data showing this fact, he substituted figures of his own which reduced the space credited to the mail service to 7.16 per cent of the total. The total of passenger-train costs which the Postmaster General estimated should be apportioned among passengers, express, and mail, on the basis of space occupied, was $37,074,172.[1] He therefore assigned to the mail service 7.16 per cent of the last-named sum, or $2,654,510.69. If, however, he had used the proportion of space, 9.32 per cent, resulting from the reports he had obtained from the railways, the amount apportioned as cost of the mail service for the month would have been $800,802 greater. Multiplying this by 12 gives an increase in the estimated annual cost of over $9,600,000.

Thus the Postmaster General arrived at his declaration that the railways were getting an excess profit of $9,000,000 by means of two fundamental errors, omitting for the present reference to any other errors. He understated the annual mail expenses and taxes of the railways by at least $9,600,000, and he ignored entirely the necessary return on the value of railroad property.

This examination of his methods shows that the determination of space was of primary and controlling importance and that the changes in space allotment have destroyed the value of his deductions. These changes were due to his refusal to assign to the mail service the working space and temporarily unoccupied space on trains, which were necessary to the mail service, and to his actually assigning much of this space to the passenger service rendered on the same trains.

It is scarcely necessary to note that all kinds of traffic require "working space" in addition to the space actually occupied by the traffic itself, and that this is especially true of the mail traffic, or that where there is a preponderating movement of a certain traffic in one direction there must be some empty space on account of that traffic, sometimes called "dead" space, in trains moving in the direction of lighter traffic. Thus passenger cars must have aisles, vestibules, and platforms, and postal cars must have a great deal of space in which to sort the mails while, for mail carried in baggage cars, there must be space in which to reach the pouches and to receive and deliver them through the doors. A through train must also have the full capacity required for the maximum traffic of any kind likely to seek accommodation on any part of its journey, although during much of each trip the actual traffic may be considerably below this limit. The Postmaster General, however, refused to credit the mail service with much of the space thus required by the department, although his figures for the other passenger-train services allowed fully for all such space required by them. In fact, in many cases such space actually required by the mails and so reported by the railways, was taken from the total mail space and, without reason, assigned to the passenger service. These modifications of the data correctly reported, not susceptible of justification upon any sound transportation principle, were carried so far that the tabulations of the Post Office Department, which are stated for railway mail routes having a total length of 194,977.55 miles[2] show only 926,164,459 "car-foot miles" made in the mail service, although certain railways, included therein and having railway mail routes aggregating only 178,709.96 miles, had correctly reported mail space equivalent to 1,153,110,245 "car-foot miles." Thus, although the department's figures cover 8.3 per cent more mileage, its reductions of space resulted in assigning to this greater mileage about one-quarter (24.5 per cent) less mail space. At the same time the department actually increased the space assigned to the other passenger-train services, its figures showing 12,014,065.506 car-foot miles in these services for 194,977.55 miles of mail routes, which must be compared with 11,222,478,739 car-foot miles reported by the railways for 178,709.96 mail-route miles.

This treatment of the controlling figures as to space, supplementing the other errors of method and omissions of fact, which have been or will be cited, was amply sufficient to turn a real loss into an apparent profit.

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[1] This is the sum which was apportioned by the Postmaster General on the basis of train space occupied. He estimated $40,121,294.83 (Doc. No. 105, p. 280) as the total operating expenses and taxes of the passenger-train services for the month. Of this total, $21,993.06 was charged directly to the mails and $3,025,129.77 directly to the other passenger-train services, leaving the sum stated in the text to be apportioned on the space basis.

[2] Doc. No. 105, p. 53.

VI. THE POSTMASTER GENERAL IGNORED DATA WHICH HE HAD OBTAINED SHOWING EXPENDITURES ON ACCOUNT OF THE MAILS LARGELY IN EXCESS OF THE DIRECT EXPENSES FOR THAT SERVICE WHICH HE REPORTED.

As a part of the investigation reported in Document No. 105 the Postmaster General obtained from the railways statements showing the amounts expended by them for the station and terminal services required by his department and the amount of free transportation furnished on his requisition for officers and agents of the postal service when not in charge of mail. These data were not used (Doc. No. 105, p. 6), and, as no adequate allowance was made in any other way for these expenses, the omission unjustly reduced the estimates of the cost to the railways of their postal service. The Postmaster General's explanation of this omission implies that it was partially offset by the assignment as cost of mail service of its proportion, on the space basis, of all the station and terminal expenses of the passenger-train services, but these special mail expenses are disproportionately heavy and the amount so assigned was far too low. The expenses for station and terminal services especially incurred for the mails during November, 1909, and reported to the Postmaster General for 92 per cent of the mileage covered by Document No. 105, aggregated $401,136, as follows:

| | |
|---|---|
| Amount of wages paid to messengers and porters employed exclusively in handling mails | $79,980.84 |
| Portion properly chargeable to mail service, prorated on basis of actual time employed, of wages paid to station employees a part of whose time is employed in handling mails | 198,927.01 |
| Amount expended for maintenance of horses and wagons and for ferriage, etc., in connection with mail service | 5,640.98 |
| Rental value, plus average monthly cost of light and heat, of room or rooms set apart for the exclusive use of the mail service | 37,258.93 |
| Rental value of tracks occupied daily for advance distribution of the mail | 47,029.12 |
| Average monthly cost of light and heat for postal cars placed daily for advance distribution of mail | 18,400.57 |
| Interest at the legal rate upon the value of cranes, catchers, and trucks required for mail service | 3,895.36 |
| Total | [1] 401,126.00 |

All the foregoing data were reported to the Postmaster General in response to his request, but he made no use of these items, an omission manifestly to the serious disadvantage of the railways and having the effect of unduly reducing his estimates of the cost of the mail service.

Similarly, the Postmaster General omitted to use the data he had obtained from the railways showing the volume of free-passenger transportation, already referred to, supplied to the officers and agents of the Post Office Department, and his estimates contain no recognition of the cost of this service, although its extent should be a matter of record in the department, as it is furnished only on its requisition. The space in passenger coaches occupied by these representatives of the Post Office Department, traveling free, was not assigned to the mail service, but was treated as passenger space.

VII. THE MONTH OF NOVEMBER IS NOT A FAIR AVERAGE MONTH IN ANY RAILWAY YEAR OR ONE THAT IS TYPICAL OF A YEAR'S BUSINESS AND ITS USE AS THE SOLE BASIS OF THE POSTMASTER GENERAL'S CALCULATIONS WAS SO UNFAVORABLE TO THE RAILWAYS AS TO DEPRIVE THE RESULTS OF ANY VALUE EVEN IF IN ALL OTHER RESPECTS HIS METHODS WERE BEYOND CRITICISM.

All the Postmaster General's calculations, reported in Document No. 105, and by him relied upon therein, and elsewhere, to substantiate his attack upon existing railway mail pay, depend solely upon data for the single month of November, in the year 1909. It is obvious, therefore, that the validity of his conclusions, if all the rest of his processes were accurate and his deductions otherwise sound, would depend upon whether November is sufficiently typical of the railway year to be safely used as the sole basis for conclusions applicable

[1] This total includes $9,993.19 reported by four companies which gave totals for these items, but did not report the items separately.

to a whole year. The truth is, however, that November is not a typical or average month and that all of its deviations from the averages of the year are such as greatly to favor the result which the Postmaster General was seeking.

It may well be doubted whether the railway year contains any month that can properly be regarded as typical of the whole period, but if it does, the month of November, with 4 Sundays, 2 holidays, and only 24 working days, is certainly not such a month. The Interstate Commerce Commission publishel the monthly aggregates of railway receipts and these official data conclusively prove that November, 1909, was the one month for which the data were most strongly favorable to finding, by the Postmaster General's method, an abnormally low apparent cost for the passenger train services and, consequently, for the mail service.

It is a month in which substantially winter conditions prevail in a large part of the country and, on this account, one during which much of the ordinary work of maintenance of way and structures must be suspended. Such work occasions a large fraction of the yearly expenses of all railways and these expenses pertain in a relatively large proportion to the passenger services becaure the higher speed of passenger trains results in greater relative wear and tear upon roadbed and structures than that caused by the slower trains of the freight service and the requirements of safety to passengers carried at high speed impose more costly standards of maintenance than would otherwise be necessary. Consequently a month in which these maintenance expenses are necessarily below the yearly average can not typify the full annual cost of the passenger train services. Figures showing the facts are contained in Appendix B.

It is, of course, understood that the respective expenses of the passenger and freight services must move upward and downward with the fluctuations in the volume of each sort of traffic. No month can furnish a reliable basis for estimating the proportion of the total expenses that is caused by the passenger service unless during that month the volume of passenger traffic bears a normal relation to the volume of freight traffic. But in November, 1909, as will appear from official figures for each month in the year contained in Appendix C, passenger traffic, as measured by receipts therefrom, was much below the average month of the year, while freight traffic was far above the average. The November receipts from passengers amounted to only 21.5 per cent of total receipts, the lowest relation shown for any month in the year. Of course, under these conditions passenger expenses were curtailed and freight expenses relatively enhanced. Certainly the use of data resulting from these abnormal relations could not possibly produce results fairly typical of a normal period—that is, of a whole year. The results so obtained must have diminished the apparent cost of the passenger-train services below the true cost by just as much as the figures for November were below the average figures of the year.

These considerations fully establish the truth that, if every other feature of Document No. 105 were absolutely beyond criticism, the fact that it rests wholly upon estimates based upon data for the single month of November would render its conclusions illusory, misleading, and seriously prejudicial to the railways.

### VIII. A COMMISSION OF SENATORS AND MEMBERS OF CONGRESS WHICH, BETWEEN 1898 AND 1901, MOST FULLY AND CAREFULLY INVESTIGATED THE SUBJECT ASCERTAINED AND DECLARED THAT RAILWAY MAIL PAY WAS NOT THEN EXCESSIVE; SINCE THEN THERE HAVE BEEN MANY AND EXTENSIVE REDUCTIONS IN PAY, ACCOMPANIED BY SUBSTANTIAL INCREASES IN THE COST AND VALUE OF THE SERVICES RENDERED BY THE RAILWAYS.

The Congressional Joint Commission to Investigate the Postal Service, which reported on January 14, 1901, is authority for the fact that, at that time, railway-mail pay was not excessive. Senator William B. Allison, of Iowa; Senator Edward S. Wolcott, of Colorado; Senator Thomas S. Martin, of Virginia; Representative Eugene F. Loud, of California; Representative W. H. Moody, of Massachusetts; and Representative T. C. Catchings, of Mississippi, six of the eight members of the commission, then united in the following:

"Upon a careful consideration of all the evidence and the statements and arguments submitted, and in view of all the services rendered by the railways, we are of the opinion that 'the prices now paid to the railroad companies for the transportation of the mails' are not excessive, and recommend that no reduction thereof be made at this time." (S. Doc. No. 89, pp. 19, 22, 25, 29, 52d Cong., 2d sess.)

Since the commission reported, the volume of the American mails, the revenue of the American postal service and its demands upon the railways for services and facilities have greatly increased. The costs of supplying railway transportation have also greatly increased. The necessary cost of railway property per unit of service has increased, and in consequence the amount required as a reasonable return thereon, on account of higher wages and prices, the higher standards of service demanded and the higher value of the real estate required for extended and necessary terminal plants. Operating expenses have grown by reason of repeated advances in rates of wages paid to employees of every grade and increased prices of materials and supplies. Taxes have increased with the rapidly augmenting exactions of State and local governments and the imposition of an entirely new Federal corporation tax.[1] Yet during this period of rapidly advancing railway expenses, and in spite of the fact that at its commencement the railway mail pay was not excessive, the rates of payment for railway mail services have been subjected to repeated and drastic decreases accomplished both by legislative action and by administrative orders. These reductions have so much more than offset the rather doubtful advantages which the railways might be assumed to have obtained from the increased volume of mail traffic that in 1912 they find their mail service more unprofitable than ever before. The following table shows the facts:

| Fiscal year. | Total railway mail pay. | Average railway mail pay per $100 of postal receipts |
|---|---|---|
| 1901 | $38,158,969 | $34.18 |
| 1904 | 43,971,848 | 30.62 |
| 1907 | 49,758,071 | 27.10 |
| 1910 | 49,405,311 | 22.04 |
| 1911 | 50,583,123 | 21.26 |

The foregoing shows that the Post Office Department expended for railway transportation, in 1901, $34.18 in order to earn $100 in gross, and that by 1911 this expenditure had been reduced 37.8 per cent to $21.26.

This notable reduction was the consequence (first) of the operation of the law fixing mail pay under which the average payment per unit of service decreases as the volume of mail increases; (second) of the acts of Congress of March 2, 1907, and May 12, 1910; and (third) of administrative changes effected by the Post Office Department which, without decreasing the services required of the railways or enabling those services to be rendered at any lower cost, greatly reduced the payment therefor. Chief among these administrative changes was the Postmaster General's order known as the "divisor" order (No. 412 of June 7, 1907, superseding Order No. 165 of Mar. 2, 1907), radically lowering the basis for calculating the annual payments for transportation. No official estimate of the reduction in the aggregate annual payment produced by the operation of the law fixing the scheme of payment has been made, but from time to time the department has published estimates of the reductions otherwise effected. None of these estimates is now up to date, and to make them comparable with the present volume of mail substantial increases would be necessary, but they are given below as representing an amount substantially less than the lowest possible statement of the total present annual reduction.

| Cause of reduction: | Amount of annual reduction. |
|---|---|
| Natural operation of the law | No estimate. |
| Acts of Mar. 2, 1907, and May 12, 1910 | $2,723,658.90 |
| Withdrawal of pay for special facilities | 167,005.00 |
| Postmaster General's divisor order | 4,941,940.34 |
| Other administrative changes | 699,544.51 |
| Total (with no allowance for the first item above) | 8,532,148.75 |

[1] Data indicating some of the increases in wages and taxes are given in Appendixes D and E.

No one will contend for a moment that there has been any net reduction in the cost of supplying railway mail services and facilities since 1901, the year in which the report of the Joint Commission to investigate the Postal Service was made. In fact, all changes in railway operating costs, except those due to increased efficiency of organization and management, which can have little, if any, effect in connection with mail traffic, have been in the opposite direction. During the years characterized by these reductions the railways have been called upon continually to improve the character of their postal service and the Post Office Department will not deny that the railways are now rendering better, more frequent, and more expeditious postal service than in 1901, or any intermediate year, and are doing so at greatly increased cost to themselves.

In view of these thoroughly substantiated facts the drastic reductions of recent years afford unanswerable proof that railway mail pay is now too low.

IX. THE ADMINISTRATION OF THE POST OFFICE DEPARTMENT HAS NOT, IN THE LAST 12 YEARS, EFFECTED ANY REDUCTION IN THE ANNUAL TOTAL OF ITS EXPENSES FOR OTHER PURPOSES THAN RAILWAY TRANSPORTATION OR IN THE PROPORTION OF ITS REVENUES REQUIRED FOR SUCH OTHER EXPENSES, BUT THE WHOLE SAVING WHICH HAS NEARLY ELIMINATED THE ANNUAL DEFICIT OF THE DEPARTMENT IS REPRESENTED BY THE REDUCED PAYMENTS, PER UNIT OF SERVICE, TO THE RAILWAYS.

That the recent savings of the postal service have been wholly at the expense of the railways is shown by the following:

| | 1901 | 1911 |
|---|---|---|
| Postal gross receipts | $111,631,193 | $237,879,823 |
| Postal expenses, all purposes: | | |
| Total | $115,554,921 | $238,507,669 |
| Per cent of gross receipts | 103.5 | 100.3 |
| Railway mail pay: | | |
| Total | $38,158,969 | $50,583,123 |
| Per cent of gross receipts | 34.2 | 21.3 |
| Postal expenses other than railway mail pay: | | |
| Total | $77,395,952 | $187,924,546 |
| Per cent of gross receipts | 69.3 | 79.0 |

This table shows that in the 10 years from 1901 to 1911 the Post Office Department reduced its operating ratio between its total expenses and its gross receipts from 103.5 per cent to 100.3 per cent, being a reduction of 3.2 points; but it also shows that this improvement was due solely to the fact that the ratio of railway mail pay expenses to gross receipts was reduced from 34.2 per cent to 21.3 per cent, a reduction of 12.9 points, while the ratio of all other expenses to gross receipts increased from 69.3 per cent to 79 per cent, an increase of 9.7 points. Thus the improvement of 3.2 points in the ratio for all expenses was due entirely to the greatly reduced ratio of railway mail pay, the heavy reduction in that respect exceeding by 3.2 points the very substantial increase in the ratio of all other expenses.

During the 10 years from 1901 to 1911 the department took up an enormous increase in business at a greatly decreased cost for railway transportation and at a largely increased cost for other purposes. It cost the department, for purposes other than railway transportation, nearly nine-tenths of $126,248,630 to add that amount to its gross receipts (although for these other purposes it had previously spent less than seven-tenths of its gross receipts), while it required less than one-tenth of the same sum to pay for the added railway transportation that the new business required (although at the beginning of the period railway transportation had cost more than one-third of the gross receipts). This startling comparison fully warrants the conclusion that the power of Congress and the department has been exercised to force upon the railways, by reducing the payments for their services, the burden not only of the effort to eliminate the annual postal deficit but of considerable increases in other forms of postal expenditure. No reference to rural free delivery will serve to explain away the conclusion suggested by this comparison, especially since only a fraction of the cost of that service represents really an additional net outlay. This service has permitted a reduction of one-third in the number of post offices and has been in many cases substituted for star route service and the savings thus permitted ought to be credited to it before determining its cost.

That increases in postal expenditures were necessary between 1901 and 1911 is not denied. The period was one in which steady and extensive increases in the cost of living made necessary considerable increases in the salaries of postal employees and in the cost of postal supplies, precisely as the railways were impelled to increase the salaries and wages of their employees and were obliged to pay higher prices for their supplies. In other words, the purchasing power of the American dollar, and of standard money everywhere, greatly decreased and this decrease affected the Post Office Department as it has affected every business undertaking. But the purchasing power of the railway dollar decreased exactly as that of all other dollars and it was unreasonable and unjust that while this change was in progress the losses which it entailed in the postal service of the Government should be shifted, as it has been shown that they were, to the railways which were, at the same time, suffering far greater losses from the same cause.

X. THE CONTINUOUS REFUSAL OF THE POST OFFICE DEPARTMENT TO ORDER REWEIGHINGS OF THE MAILS EXCEPT AFTER THE MAXIMUM INTERVAL OF FOUR YEARS, WHICH THE LAW ALLOWS, THE DEMANDS FOR STATION AND TERMINAL SERVICES THAT ARE RENDERED WITHOUT ANY OR WITHOUT ADEQUATE COMPENSATION, AND THE UNJUST DISCRIMINATION AGAINST COMPARTMENT CARS USED AS RAILWAY POST OFFICES ARE ALL ABUSES, SERIOUSLY INJURIOUS TO THE RAILWAYS, WHICH HAVE GROWN UP UNDER THE PRESENT SYSTEM OF PAYMENT AND OUGHT AT ONCE TO BE REMEDIED.

In addition to the inadequacies in the rates of pay provided under the present law, which result in payments that do not leave any balance for taxes or return upon property and, indeed, do not even meet operating expenses, there are certain conditions which have grown up in the application of the existing basis of pay that ought to be rectified. This is especially necessary in view of the tendency, herein shown, of the Post Office Department to apply the system so as to reduce its expense for railway transportation, and to look to this item as the chief or sole source of economies.

The transportation pay received for each railway route is determined, under the practice of the department, for a period of four years on the basis of the average daily weight carried during a period of about three months' duration prior to the beginning of the period for which it is fixed. Thus, by the terms of the law, the Government upholds the principle that weight should be the basis of payment, but, by an inconsistent practice, denies that principle and creates a condition under which it is practically certain that the weight actually carried will differ materially from the weight paid for. Congress, surely, never intended this result, for the provision of law is, merely, that the mail shall be weighed "not less frequently" than once in four years and clearly implies an intention that it should be weighed whenever a substantial change in volume has taken place. But the Post Office Department controls, subject to the provision of law, the frequency of the weighings, and naturally seeks those reductions in its expenses which can be effected without loss anywhere except in railway revenues. Consequently, it long ago ceased to order new weighings, except when compelled to do so by the expiration of the statutory limit. It thus happens that while the railways are paid on the basis of a certain average daily weight they are frequently carrying a much greater weight and with no compensation whatever for the increase in the weight. In other instances the change is in the opposite direction, but with increasing national population and wealth it is obvious that most of these changes must be to the injury of the railways. However, the element of uncertainty thus introduced into each contract is unbusinesslike and in fairness to both parties ought to be removed. No railway would make a four years' contract to carry, for a definite sum, the unlimited output of any manufacturing plant, and if it attempted to do so the contract would be void under the interstate-commerce law. The terms of the mail contracts are substantially dictated by the Postmaster General and by Congress, and the latter ought, in justice both to the railways and to the Government, to require the former to make annual weighings in order that the scheme of payment provided in the law may be fairly and accurately applied.

Railways are required to transfer the mails between their stations and all post offices not more than a quarter of a mile distant from the former and, at the election of the Post Office Department, to make similar transfers at terminals. For the former no compensation is accorded, and for the latter the allowances are inadequate. There are numerous instances in which these extra services require expenditures, on the part of the railways concerned, that ex-

ceed the total compensation of the mail routes on which they occur. The extent of these requirements in particular cases is largely subject to the will of the department and this produces unreasonable uncertainties as to what may be demanded during the life of any contract. The basis of payment plainly does not contemplate such service; they are a survival from the period when the mails were carried by stagecoaches, which could readily deviate these distances from their ordinary routes, and it is clear that the Government ought to perform these services itself or reasonably compensate the railways therefor.

Much of the mail moved by the railways is carried in cars especially equipped as traveling post offices in order that it may be accompanied by postal clerks who perform, on the journey, precisely the labor which they would otherwise perform in local post offices. Cars so used can be but lightly loaded and are costly to supply, to equip, to maintain and to move. Their use has greatly increased the efficiency of the postal service and vastly expedited the handling of the mails. In the infancy of this service Congress provided for additional payments for the full cars so required, but when the practice of requiring portions of cars for the same identical purpose was inaugurated no provision for paying for them was made and this condition never has been corrected. Even in Document No. 105, the injustice of this situation is recognized (p. 3) and the Postmaster General asserts that it is a purely arbitrary discrimination and without logical basis. Obviously a reasonable allowance for apartment cars ought to be made.

### XI. THE POSTMASTER GENERAL'S PROPOSED PLAN OF PAYMENT BASED UPON OPERATING COST AND TAXES, TO BE ASCERTAINED BY THE POST OFFICE DEPARTMENT, PLUS 6 PER CENT, IS SERIOUSLY WRONG IN PRINCIPLE AND WOULD ENCOURAGE AND PERPETUATE INJUSTICE.

The foregoing discussion makes plain the error and injustice in the Postmaster General's proposal to pay the railways for carrying the mail upon the basis of returning to them the operating expenses and taxes, as ascertained by the Post Office Department, attributable to the carriage of the mails, plus 6 per cent of the sum of these expenses and taxes.

The discussion under heading III above demonstrates that the plan leaves out of consideration any allowance for return upon the property and would be destructive of the universally recognized rights of the railroad companies.

Furthermore, such a plan is fundamentally erroneous because it involves paying the highest rates to the railroad that by reason of physical disabilities or inefficient methods is most expensively operated and the lowest rates to the railroad which, by reason of the highest efficiency, operates at the lowest cost. A railroad's superior operating efficiency is frequently due to exceptionally heavy capital expenditures to obtain low grades, two, three, or four main tracks, and to improve in other respects the roadbed and tracks to the end that trains may be hauled at the lowest expense. Such a railroad needs and is entitled to sufficient net earnings to enable it to pay a proper return upon the increased value which is due to such expenditures. But under the Postmaster General's plan a railroad would be penalized for all the capital expenditures made by it for the purpose of decreasing its operating cost, because the more it decreased its operating cost the more it would decrease its mail pay.

The ascertainment of the cost to a railroad of conducting mail service is necessarily very largely a matter of judgment and opinion, because a large proportion of the total operating expenses are common to the freight and passenger traffic and can only be approximately apportioned. There is room for a very wide discretion in the making of such apportionments. It would not be right or proper to intrust the Post Office Department with the discretion of making such apportionment, because the Post Office Department has an obvious interest at stake, its object always being to reduce the railroad pay to a minimum.

The last preceding statement is fully justified by the facts disclosed by the foregoing pages, which show how consistently the Post Office Department has relied upon reductions in railway mail pay as the ever available source of desired curtailments of expenses, and how unsuccessfully the railways have resisted this persistent pressure. They show that successive Postmasters General have taken advantage of every legal possibility, such as taking the longest time between mail weighings which the law permits and the strained interpretation of the statute fixing the basis of payment (p. 19), in order to effect reductions in railway mail pay. Consequently, the facts point irresistibly to one conclusion, namely, that the Post Office Department is a bureaucratic entity with an

interest in the reduction of the amounts paid to the railways that is incompatible with an impartial ascertainment of what is fair compensation. This interest, coupled with the brief tenure of the responsible officers of the department, must always incline the latter to support insufficient standards of mail pay and prevent their recognizing the ultimate necessity of paying fairly for efficient service. It would, therefore, be clearly inexpedient and strikingly unjust to place railway mail revenues wholly at the mercy of the department by enacting a law which would authorize each Postmaster General to fix railway mail pay on the basis of his own inquiries and opinions in a field in which so much must be left to estimate and approximation as that of the relative or actual cost of the different kinds of railway service.

It is conceded that every railway mail contract is between the Government, which is the sovereign, and a citizen, and that the nature and terms of the contract are always substantially to be dictated by the former. But this very condition invokes the principle of primary justice, that the sovereign shall take care to exercise its power without oppression. To this end the determination of the terms on which the Post Office Department may have the essential services of the railways ought to be reserved, as at least partially in the past, to the Congress, or if delegated at all, they should be intrusted to some bureau or agency of Government not directly and immediately interested in reducing railway mail pay below a just and reasonable compensation.

## APPENDIX A.

### EXTRACTS FROM THE POSTAL LAWS AND REGULATIONS.

Railroad companies, at stations where transfer clerks are employed, will provide suitable and sufficient rooms for handling and storing the mails, and without specific charge therefor. These rooms will be lighted, heated, furnished, supplied with ice water, and kept in order by the railroad company. (Sec. 1186, par. 2.)

The specific requirements of the service as to * * * space required * * * at stations, fixtures, furniture, etc., will at all times be determined by the Post Office Department and made known through the General Superintendent of Railway Mail Service. (Sec. 1186, par. 3.)

Railroad companies will require their employees who handle the mails to keep a record of all pouches due to be received or dispatched by them, and to check the pouches at the time they are received or dispatched, except that no record need be kept of a single pouch from a train or station to the post office or from the post office to a train or station which, in regular course, is the only pouch in the custody of the company's employees at that point while it is being handled by them. This is not to be construed as relieving railroad companies from having employees on trains keep and properly check a record of all closed pouches handled by them, without exception. (Sec. 1187, par. 1.)

In case of failure to receive any pouch due, a shortage slip should be made out, explaining cause of failure, and forwarded in lieu of the missing pouch. Specific instructions in regard to the use of shortage slips will be given by the General Superintendent of Railway Mail Service. (Sec. 1187, par. 2.)

Every irregularity in the receipt and dispatch of mail should be reported by the employee to his superintendent promptly, and if a probable loss of or damage to mail is involved, or if the cause of failure to receive a pouch is not known, the report should be made by wire, and the superintendent will notify the division superintendent of Railway Mail Service without delay. A copy of the employee's report should be attached to and become a part of the permanent pouch record. (Sec. 1187, par. 3.)

Train pouch records will be kept on file at the headquarters of division superintendents of railroad companies for at least one year immediately following the date the mail covered by them was handled, and shall be accessible there to post-office inspectors and other agents of the Post Office Department. Station pouch records will be kept on file at the station to which they apply for at least one year immediately following the date the mail covered by them was handled, and shall be accessible there to post-office inspectors and other agents of the Post Office Department. (Sec. 1187, par. 4.)

Railroad companies will require their employees to submit pouch records for examination to post-office inspectors and other duly accredited agents of the Post Office Department upon their request and exhibition of credentials to such employees. (Sec. 1187, par. 5.)

Every railroad company is required to take the mails from and deliver them into all terminal post offices, whatever may be the distance between the station

and post office, except in cities where other provision for such service is made by the Post Office Department. In all cases where the department has not made other provision, the distance between terminal post office and nearest station is computed in and paid for as part of the route. (Sec. 1191, par. 1.)

The railroad company must also take the mails from and deliver them into all intermediate post offices and postal stations located not more than 80 rods from the nearest railroad station at which the company has an agent or other representative employed, and the company shall not be relieved of such duty on account of the discontinuance of an agency without 30 days' notice to the department. (Sec. 1191, par. 2.)

At connecting points where railroad stations are not over 80 rods apart, a company having mails on its train to be forwarded by the connecting train will be required to transfer such mails and deliver them into the connecting train, or, if the connection is not immediate, to deliver them to the agent of the company to be properly dispatched by the trains of said company. (Sec. 1192.)

At places where railroad companies are required to take the mails from and deliver them into post offices or postal stations or to transfer them to connecting railroads, the persons employed to perform such service are agents of the companies and not employees of the postal service and need not be sworn; but such persons must be more than 16 years old and of suitable intelligence and character. Postmasters will promptly report any violation of this requirement. (Sec. 1193.)

Where it is desirable to have mails taken from the post office or postal station to train at a terminal point where the terminal service devolves upon the company, in advance of the regular time of closing mails, the company will be required to make such advance delivery as becomes necessary by the requirements of the service. (Sec. 1194.)

When a messenger employed by the Post Office Department can not wait for a delayed train without missing other mails, the railroad company will be required to take charge of and dispatch the mails for the delayed train, and will be responsible for the inward mail until delivered to the messenger or other authorized representative of the department. (Sec. 1195.)

Whenever the mail on any railroad route arrives at a late hour of the night the railroad company must retain custody thereof by placing the same in a secure and safe room or apartment of the depot or station until the following morning, when it must be delivered at the post office, or to the mail messenger employed by the Post Office Department, at as early an hour as the necessities of the post office may require. (Sec. 1196.)

When a train departs from a railroad station in the nighttime later than 9 o'clock, and it is deemed necessary to have the mail dispatched by such train, the division superintendent of Railway Mail Service will, where mail is taken from and delivered into the post office by the railroad company, request the company, or where a mail messenger or carrier is employed by the Post Office Department, will direct him, to take the mail to the railroad station at such time as will best serve the interest of the mail service. Such mail will be taken charge of by the agent or other representative of the railroad company, who will be required to keep it in some secure place until the train arrives, and then see that it is properly dispatched. (Sec. 1197, par. 1.)

The division superintendent of Railway Mail Service will give reasonable advance notice to the proper officer of the railroad company, in order that the agent or representatives of the company may be properly instructed. (Sec. 1197, par. 2.)

Railroad companies will be expected to place their mail cars at points accessible to mail messengers or contractors for wagon service. If cars are not so placed the companies will be required to receive the mails from and deliver them to the messengers or contractors at points accessible to the wagon of the messenger or contractor. (Sec. 1198.)

A mail train must not pull out and leave mails which are in process of being loaded on the car or which the conductor or trainman has information are being trucked from wagons or some part of the station to the cars. (Sec. 1199.)

At all points at which trains do not stop where the Post Office Department deems the exchange of mails necessary, a device for the receipt and delivery of mails satisfactory to the department must be erected and maintained; and, pending the erection of such device, the speed of trains must be slackened so as to permit the exchange to be made with safety. (Sec. 1200, par. 1.)

In all cases where the department deems it necessary to the safe exchange of the mails the railroad company will be required to reduce the speed or stop the train. (Sec. 1200, par. 2.)

When night mails are caught from a crane the railroad company must furnish the lantern or light to be attached to the crane and keep the same in proper condition, regularly placed and lighted; but if the company has no agent or employee at such station, the company must furnish the light, and the care and placing of same will devolve upon the department's carrier. (Sec. 1200, par. 3.)

The engineer of a train shall give timely notice, by whistle or other signal, of its approach to a mail crane. (Sec. 1200, par. 4.)

Railroad companies are required to convey upon any train, without specific charge therefor, all mail bags, post-office blanks, stationery, supplies, and all duly accredited agents of the Post Office Department and post-office inspectors upon the exhibition of their credentials. (Sec. 1184.)

## Appendix B.

*Classification of operating expenses.*

[Data from reports of the Interstate Commerce Commission.]

| Class. | Average cost per mile of line. | | | | | |
|---|---|---|---|---|---|---|
| | Fiscal year 1910. | | November, 1909. | | Monthly average for the other 11 months of the fiscal year. | |
| | Amount. | Monthly average. | Amount. | Per cent of monthly average for the fiscal year. | Amount. | Per cent of monthly average for the fiscal year. |
| Maintenance of way and structures | $1,562.88 | $130.24 | $124.04 | 95.24 | $130.80 | 100.43 |
| Maintenance of equipment | 1,746.00 | 145.50 | 148.44 | 102.02 | 145.23 | 99.82 |
| Traffic expenses | 220.61 | 18.38 | 18.85 | 102.56 | 18.34 | 99.78 |
| Transportation expenses | 2,893.71 | 324.48 | 327.78 | 101.02 | 324.18 | 99.91 |
| General expenses | 287.71 | 23.98 | 23.10 | 96.33 | 24.06 | 100.33 |
| Total | 7,710.91 | 642.58 | 642.21 | 99.94 | 642.61 | 100.00 |

## Appendix C.

*Receipts from passenger and freight traffic, by months.*

[Data from reports of the Interstate Commerce Commission.]

| Month. | Passenger receipts per mile of line. | | | Freight receipts per mile of line. | | | Per cent of passenger receipts to receipts from both passengers and freight. |
|---|---|---|---|---|---|---|---|
| | Total. | Daily average. | Per cent of daily average for year. | Total. | Daily average. | Per cent of daily average for year. | |
| 1909. | | | | | | | |
| July | $251.66 | $8.12 | 112.15 | $608.67 | $19.63 | 88.46 | 29.25 |
| August | 269.70 | 8.70 | 120.17 | 653.97 | 21.10 | 95.09 | 29.20 |
| September | 254.95 | 8.50 | 117.40 | 704.51 | 23.48 | 105.81 | 26.57 |
| October | 231.80 | 7.48 | 103.31 | 781.91 | 25.22 | 113.65 | 22.87 |
| November | 206.69 | 6.89 | 95.17 | 752.69 | 25.09 | 113.07 | 21.54 |
| December | 211.55 | 6.82 | 94.20 | 640.59 | 20.66 | 93.11 | 24.83 |
| 1910. | | | | | | | |
| January | 187.42 | 6.05 | 83.56 | 618.06 | 19.94 | 89.86 | 23.27 |
| February | 171.92 | 6.14 | 84.81 | 603.76 | 21.56 | 97.16 | 22.16 |
| March | 202.61 | 6.54 | 90.33 | 716.76 | 23.12 | 104.19 | 22.04 |
| April | 203.84 | 6.79 | 93.78 | 658.93 | 21.96 | 98.96 | 23.63 |
| May | 218.47 | 7.05 | 97.38 | 682.96 | 22.03 | 99.28 | 24.24 |
| June | 233.25 | 7.78 | 107.46 | 674.97 | 22.50 | 101.40 | 25.68 |
| Average | 220.32 | 7.24 | 100.00 | 674.81 | 22.19 | 100.00 | 24.61 |

## APPENDIX D.

### HOW RAILWAY WAGES HAVE INCREASED.

In the year 1901 the railways reporting to the Interstate Commerce Commission received, in gross, from operating sources the sum of $1,588,526,037 and expended in wages and salaries the sum of $610,713,701; in 1910 the corresponding totals were $2,750,667,435 and $1,143,725,306. Computations from these totals show that in 1901 the railways expended in wages and salaries $38.45 out of each $100 of gross operating receipts, while in 1910 the proportion had increased to $41.58, a difference of $3.13 in each $100 of gross receipts. This difference does not seem small, but it is hardly realized, except when the calculation is made, that on the basis of the gross receipts of 1910 it would amount, as it does, to an additional expense of $86,095,890.72. It is to be borne in mind that this largely increased payment to labor is in spite of the fact that a part of the increase in wage rates has been offset by higher efficiency in method and facilities. Comparisons of rates of wages, from the annual statistical reports of the Interstate Commerce Commission, follow:

| Class of employees. | Average wages per day. | | |
|---|---|---|---|
| | 1901 | 1910 | Increase. |
| | | | *Per cent.* |
| General office clerks | $2.19 | $2.45 | 11.87 |
| Station agents | 1.77 | 2.14 | 20.90 |
| Other station men | 1.59 | 1.91 | 20.13 |
| Enginemen | 3.78 | 4.34 | 14.81 |
| Firemen | 2.16 | 2.57 | 18.98 |
| Conductors | 3.17 | 3.73 | 17.67 |
| Other trainmen | 2.00 | 2.72 | 36.00 |
| Machinists | 2.32 | 3.03 | 30.60 |
| Carpenters | 2.06 | 2.39 | 16.02 |
| Other shopmen | 1.75 | 2.20 | 25.71 |
| Section foremen | 1.71 | 1.99 | 16.37 |
| Other trackmen | 1.23 | 1.57 | 27.64 |
| Telegraph operators and dispatchers | 1.98 | 2.16 | 9.09 |
| Employees, account floating equipment | 1.97 | 2.10 | 6.60 |
| All other employees and laborers | 1.69 | 1.96 | 15.98 |

## APPENDIX E.

### HOW RAILWAY TAXES HAVE INCREASED.

[Data from reports of the Interstate Commerce Commission.]

| Year. | Amount paid. | Average per mile operated. | Per cent of net receipts. |
|---|---|---|---|
| 1900 | $48,332,273 | $251.00 | 8.7 |
| 1901 | 50,944,372 | 260.50 | 8.6 |
| 1902 | 54,465,437 | 272.12 | 8.3 |
| 1903 | 57,849,569 | 281.76 | 8.4 |
| 1904 | 61,696,354 | 290.69 | 9.0 |
| 1905 | 63,474,679 | 292.55 | 8.5 |
| 1906 | 74,785,615 | 336.36 | 8.8 |
| 1907 | 80,312,375 | 353.09 | 8.9 |
| 1908 [1] | 84,555,146 | 366.84 | 10.7 |
| 1909 [1] | 90,529,014 | 384.57 | 10.1 |
| 1910 [1] | 103,795,701 | 430.99 | 10.3 |

[1] Not including terminal and switching companies.

### LIST OF RAILROADS EXPRESSLY INDORSING FOREGOING BRIEF.

The following railroads, represented by the officials indicated, have responded to my circular letter of September 11, by referring to and

giving their indorsement of the response of the committee on railway mail pay:

Augusta Southern Railroad Co., A. B. Andrews, president.
Atchison, Topeka & Santa Fe System, George T. Nicholson, vice president.
Atlantic Coast Line Railroad Co., T. M. Emerson, president.
Arizona Eastern Railroad Co., Epes Randolph, president.
Arkansas, Louisiana & Gulf Railway Co., J. M. Parker, general manager.
Bellingham Bay & British Columbia Railroad Co., Mott Sawyer, superintendent.
Blue Ridge Railway Co., A. B. Andrews, president.
Chicago & Alton Railroad Co., B. A. Worthington, president.
Coal & Coke Railway Co., A. M. Smith, general manager.
Central Vermont Railway Co., G. C. Jones, general manager.
Cornwall & Lebanon Railroad Co., A. D. Smith, president and general manager.
Chicago & Western Indiana Railroad Co. and The Belt Railway Co., of Chicago, J. M. Warner, general manager.
Colorado Midland Railway Co., George M. Vallery, president.
Central Indiana Railway Co., Joseph Robinson, president.
Chicago, Indianapolis & Louisville Railway Co., Fairfax Harrison, president.
Carolina, Clinchfield & Ohio Railway, Mark W. Potter, president.
Central of Georgia Railway Co., Charles H. Markham, president.
Chesapeake & Ohio Railway Co., M. J. Caples, fourth vice president.
Denver, Northwestern & Pacific Railway Co., W. A. Beerbower, general superintendent for receivers.
Delaware & Hudson Co., L. L. Loree, president.
Danville & Western Railway Co., A. B. Andrews, president.
Delaware & Hudson Co., C. S. Sims, second vice president and general manager.
Delta Southern Railway, R. V. Taylor, president.
Erie Railroad Co., J. C. Stuart, vice president.
Great Northern Railway Co., Carl R. Gray, president.
Georgia Northern Railway Co., C. W. Pidcock, president.
Georgia Railroad, Thomas K. Scott, general manager.
Gulf & Ship Island Railroad Co., W. T. Stewart, vice president and general manager.
Georgia & Florida Railway, W. B. Denham, general manager.
Hartwell Railway Co., A. B. Andrews, president.
Hocking Valley Railway Co., M. S. Connors, general manager.
Huntingdon & Broad Top Mountain Railroad & Coal Co., Carl M. Gage, president and general manager.
Illinois Central Railroad Co., C. H. Markham, president.
Kansas City, Clinton & Springfield Railway Co., E. J. Perry, vice president.
Kansas City, Mexico & Orient Railway Co., Neal S. Doran, auditor for receivers.
Kansas City Southern Railway Co., J. A. Edson, president.
Las Vegas & Tonopah Railroad Co., J. Ross Clark, president.
Lehigh & Hudson River Railway Co., Morris Rutherford, vice president and general manager.
Lehigh & New England Railroad Co., Rollin H. Wilbur, vice president and general manager.
Lexington Terminal Railroad Co., Thos. K. Scott, vice president.
Maine Central Railroad Co., Morris McDonald, vice president and general manager.
Macon, Dublin & Savannah Railroad, S. T. Wright, vice president and general manager.
Manistee & Grand Rapids Railroad Co., Chas. H. Morey, vice president.
Minneapolis, St. Paul & Sault Ste. Marie Railway Co., E. Pennington, president.
Missouri, Kansas & Texas Railway Co., W. A. Durham, assistant general manager.
Missouri & North Arkansas Railroad, George L. Sands, receiver.
Missouri, Kansas & Texas Railway Co.; Missouri, Kansas & Texas Railway Co. of Texas; Texas Central Railroad Co.; Wichita Falls Lines; W. A. Webb, general manager.
Montana, Wyoming & Southern Railroad Co., M. W. Maguire, general manager.

Mobile & Ohio Railroad Co., R. V. Taylor, vice president and general manager.
Nashville, Chattanooga & St. Louis Railway, J. W. Thomas, jr., president and general manager.
New York, Auburn & Lansing Railroad, H. A. Clarke, general manager for receivers.
New York Central Lines, W. C. Brown, president.
New York, Chicago & St. Louis Railroad Co., A. W. Johnston, general manager.
New York, Ontario & Western Railway Co., John B. Kerr, vice president.
Norfolk Southern Railroad Co., Morris S. Hawkins, secretary.
Northwestern Pacific Railroad Co., A. H. Payson, president.
Oregon-Washington Railroad & Navigation Co., J. D. Farrell, president.
Pacific Railway & Navigation Co., D. W. Campbell, president.
Pennsylvania Railroad Co.; Philadelphia, Baltimore & Washington Railroad Co.; Northern Central Railway Co.; West Jersey & Seashore Railroad Co.; New York, Philadelphia & Norfolk Railroad Co.; Cape Charles Railroad Co.; Baltimore, Chesapeake & Atlantic Railway Co.; Maryland, Delaware & Virginia Railway Co.; Pennsylvania Co.; Pittsburgh, Cincinnati, Chicago & St. Louis Railway Co.; Vandalia Railroad Co.; Grand Rapids & Indiana Railway Co.; Cincinnati, Lebanon & Northern Railway Co.; Waynesburg & Washington Railroad Co.; Toledo, Peoria & Western Railway Co.; E. T. Postlethwaite, assistant to president.
Pere Marquette Railroad Co., S. M. Felton, receiver.
Ray & Gila Valley Railroad Co., D. C. Jackling, vice president and general manager.
Richmond, Fredericksburg & Potomac R. R. Co., Wm. H. White, president.
Rock Island Lines, John Sabastian, third vice president.
Rutland Railroad Co., Geo. T. Jarvis, general manager.
Salem Falls City & Western Railway, D. W. Campbell, president.
San Antonio & Aransas Pass Railway Co., J. S. Peter, first vice president and general manager.
San Pedro, Los Angeles & Salt Lake Railroad, H. C. Nutt, general manager.
Spokane, Portland & Seattle Railway Co., J. H. Young, president.
Southern Pacific Railroad Co., William Sproule, president.
Southern Railway Co., A. B. Andrews, first vice president.
Southern Railway Co., in Mississippi, R. V. Taylor, vice president and general manager.
St. Louis, Rocky Mountain & Pacific Railway Co., J. Van Houten, president.
Tallulah Falls Railway Co., A. B. Andrews, president.
Tonopah & Goldfield Railroad Co., M. B. Cutter, president.
Union Pacific Railroad Co., Oregon Short Line Railroad Co., A. L. Mohler, president.
Union Point & White Plains Railroad Co., Thomas K. Scott, general manager.
Virginia & Carolina Southern Railroad Co., J. P. Russell, general superintendent.
Virginia & Southwestern Railway Co., E. H. Coapman, vice president and general manager.
Wadley Southern Railway Co., William A. Winburn, president.
Wheeling & Lake Erie Railroad Co., W. M. Duncan, receiver.
Winston-Salem Southbound Railway Co., H. E. Fries, president.
Yazoo & Mississippi Valley Railroad Co., C. H. Markham, president.

### VIEWS OF SHORT-LINE RAILROAD ASSOCIATION.

Under date of December 31, 1912, the Short Line Railroad Association, by Mr. John N. Drake, its secretary and treasurer, representing independent short-line mail-carrying railroads, operating in every section of the country, submitted the following letter:

SHORT LINE RAILROAD ASSOCIATION.
*New York, December 31, 1912.*

COMMITTEE ON POST OFFICES AND POST ROADS,
*United States Senate, Washington, D. C.*

GENTLEMEN: The Short Line Railroad Association, representing independent short-line mail-carrying railroads, operating in every section of the country, begs to submit for your consideration their plea for fair and equitable treat-

ment based upon reasonable compensation for the services they render the Government.

Their pay now, notwithstanding the increased facilities they have provided and the increased responsibilities they have assumed, with the additional cost incident thereto, is less by 10 per cent than it was prior to the act of July 12, 1876, and 5 per cent additional to that since July, 1878. It has also decreased one-seventh since 1907, when the Post Office Department, in contravention to law and established custom, changed the divisor from six days to seven.

In the early days of railway mail transportation the small quantity of mail carried by the few short-line railroads was in mail bags placed in any convenient location in the baggage cars. As the labor and expense of hauling this light mail was negligible, no objection was made to its delivery at the post offices located at terminals, nor to observing the obsolete English custom adopted by the Post Office Department, which obtained in the old stagecoach days, of delivering mail at post offices 80 rods or less from the post roads. One mail a day was the limit of the service, and the little packages were easily handled and delivered by an employee of the road, whose pay then was small and who had plenty of time to give the slight service, without interfering with his other duties.

In the great developments which have taken place since those bygone days short-line railroads have multiplied a hundredfold, the little mail pouch has grown to an apartment car, the small bundle for delivery to a wagonload. The march of progress and improvement has permeated every branch of the railway mail service, and will continue to do so if properly supported by the Government. The little mail-carrying roads, however, can not meet growing demands handicapped by obsolete customs and unbusinesslike methods. They can not donate in the future, as in the past, their car space, and fit it up at their own expense as a post office, carrying mail messengers to perform post-office duties without being recompensed in some slight degree for the service.

In the experimental stage of using apartment-car space in addition to full-car space for post-office purposes our roads readily granted the privilege, under the assumption that the Government when it had demonstrated the feasibility and usefulness of the method they had adopted would unhesitatingly amend the law granting pay for a 40 foot or more car in length to cover those of lesser extent. No provision, however, has been made to do this nor has any disposition been displayed on the part of the Government to take such action. From a few apartment cars used as auxiliaries to help out full cars, the growth has been marvelous and unprecedented—3,800 apartment cars last year against 1,464 full cars. Full cars entitled to receive pay under the law will soon cease to be used except upon the largest railroad systems, if the present policy of the Post Office Department is permitted to continue without suitable regulation by law. In order to accomplish this purpose it is only necessary for the department to split hairs and order a 35 or a 38, or even a 39 foot car.

The short-line railroads are not asking subsidies or special privileges, but they do ask that they be treated with the same consideration and accorded the same rights granted to other systems of railroads for a like service. They simply want justice and a square, straightforward, honorable business deal. Nothing more nor less. They are entitled by every consideration that governs a business community to receive their proportion of the pay given for the use of any car performing the same character of service they perform, whether the space used is 5 feet or 60 feet.

The claim is made that the short-line railroads are now paid for carrying the mails. This is only true as applied to the weight, and is equally true in the same regard to any other system of railroads.

The use of the postal car, no matter what its length, is invaluable in contributing to the present requirements of the service in facilitating the prompt delivery of the mail in the city or in the country, and the car fitted up as a post office and given over exclusively to the use of the mails is an honest charge against the Government and is as much entitled to be paid for as post-office space in a city or town.

A provision covering this entirely satisfactory to the short-line railroads is inserted in the amendments to the present law governing railway mail pay as introduced by Representative Talbott in H. R. 4044, and reads as follows:

"That the space used for railroad post-office purposes in apartment cars shall be paid for at a pro rata rate of the rate of compensation allowed for postal cars 40 feet in length."

In a recent decision given in a United States district court regarding the right of the Post Office Department to enforce its regulations governing the

use of apartment cars without pay, the court ruled that the road had no redress in the matter while working under the contract made with the department, but could refuse to renew the contract and discontinue the service.

The alternative is here presented of seriously embarrassing the postal service and harshly discommoding the people along the railroad lines by terminating the service or by penalizing the roads for their efficient service if they continue to act as mail carriers.

Can and will the Government as a just arbitrator consent to perpetuate a notoriously glaring injustice at the expense of the short-line railroads, or force them to abandon it as an unprofitable service which they are financially unable to maintain?

Again, the mail-carrying compensation on the short-line railroads, in accordance with a Post Office Department regulation, is not determined by the distance covered by the train service, but is computed to include the distance over the public highway to the post office depending upon the railroad service for its mail. Some of these post offices are a mile, more or less, from the railroad stations. It can readily be seen that a highway service, however primitive it may be, if used to carry the mail any distance from the railroad station can not be maintained at the same rate per mile per year that is paid for railroad transportation.

A short-line railroad, 10 miles in length, with a post office half a mile distant from its station receives $42.75 per mile per year, or $427.50 for its year's work on the train mileage and $21.37 for the highway service, a total of $448.87. The little stretch of half a mile on the highway, at a very conservative estimate, costs 75 cents a day, or $262.50 per year, thus reducing the railway mail pay actually received to $226.37, more than one-half. In no instance is the railway mail service performed by the short-line railroads without their paying a heavy toll out of their meager receipts.

The passage of the parcel-post act and its introduction on the short lines January 1, without making any provision whatever for the service, is a proceeding that is open to the most severe criticism. Here we have an entirely new class of mail matter not contemplated nor provided for by contract or agreement thrust upon the roads with little opportunity to prepare for the service and no pay provided to pay for the same. Generous preparations seem to have been made for increased postal employees, wagons, automobiles, additional post-office rooms, etc.; in short, everybody and everything is taken into account except the railroads, the cornerstone of the entire business combination.

The competent, reliable, and safe builder in the common everyday walks of business life shores up and strengthens the weak parts of the superstructure before adding weight upon the foundation. But those in charge of the new and sensitive business recently evolved to undertake a great business venture are now "window dressing" to attract the crowd to their top-heavy structure without giving any thought or attention to the foundation.

It certainly surpasses belief that any unfair bureau regulation in this or any other postal direction inflicted upon our short-line railroads will be tolerated by our Representatives in Congress, when the facts as they exist are brought to light and made plain. In the parcel-post matter an immediate weighing of all parcel-post mail should be ordered on our railroads, and this mail when weighed should be properly classified and paid for in a just and equitable way to all concerned from the beginning of the service, January 1.

Further, the unjust discrimination practiced against the short lines in apartment-car space, side and terminal deliveries, annual weighings, etc., should be promptly remedied by amending the postal law in conformity with H. R. 4044, introduced by Representative Talbott.

Overzealous employees of the Government, like overzealous employees of corporations, unthinkingly bring into disrepute the very interests they are selected to serve under the mistaken idea that the exercise of authority temporarily invested in them is to be used in one direction, forgetting that there are two interests instead of one to take into account, each of which is entitled to equal consideration.

To guard against the abuse and misuse of power, as a matter of public duty, our legislators should hesitate in taking the risk of delegating their power and authority as representatives of the people to any department or bureau of the Government.

Respectfully,

SHORT LINE RAILROAD ASSOCIATION,
By JOHN N. DRAKE,
*Secretary and Treasurer.*

REPLIES OF RAILROADS.

Below are given the replies received from all railroads, arranged in alphabetical order, to the inquiries propounded in my circular letter of September 11, with the exception of those railroads already indicated indorsing without further comment the reply of the committee on railway mail pay:

THE ANN ARBOR RAILROAD CO. AND STEAMSHIP LINES,
*Toledo, Ohio, October 1, 1912.*

Hon. JONATHAN BOURNE,
*Washington, D. C.*

DEAR SIR: Your letter of September 11, addressed to Mr. S. Hendrie, president of the Manistique & Lake Superior Railroad Co., in regard to Senate bill No. 7371, has been referred by Mr. Hendrie to me for attention.

In your letter you ask for an expression of opinion upon the following questions:

(1) Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

(2) Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

(3) What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

It is difficult to give offhand an answer to these questions. While the present plan of compensation for mail service may be improved upon, it is certainly a much more equitable one than the one proposed in Senate bill No. 7371. Under the present plan, the mails are weighed once every four years, and the compensation fixed by that weighing is the compensation to be paid the railroad companies during the ensuing four years, and no allowance is made for the increased service required from year to year, until the quadrennial weighing is made. This plan results in the railroads getting a much lower average rate per year for the service performed than they would receive if the weighing was equalized, or if it was made annually. To illustrate: A rate of pay may be fixed by weighing on railroad A for the period of four years, which we will say will average $200 per mile. Four years from now the weight is again taken, and it is found that the increase in mails carried has raised the rate to $300 per mile. As this increase has, in all probability, been gradaul during the four years, the average rate per mile during the four years should have been $250, whereas the rate paid has been $200 for the whole four years. This is not fair nor equitable to the railroad companies.

In regard to the second question, the principle of the plan embodied in Senate bill 7371 is absolutely wrong and unfair to the railroad companies in that it places within the absolute control of the Postmaster General the power to fix the rates of compensation which he shall pay to the railroad companies for performing services for the Post Office Department. In other words, the principle is that the purchaser of anything should have the right to say what he shall pay for it. In no other business, whether transportation, commercial, industrial, or professional, is this principle adopted. This plan would permit the Postmaster General to fix the price on any railroad and would give him the power to favor one line as against another, to reduce the price paid for service to an amount less than the actual cost of the service, because he is also to fix the cost. Even if the principle of having the Postmaster General fix the price to be paid by first ascertaining if the cost were equitable, the proposition that the compensation shall be "not exceeding the cost to the railroad companies of carrying the mails as ascertained by him and 6 per cent of such cost added thereto," would be grossly unfair to the railroad companies.

The bill reads that "the Postmaster General shall determine the cost to each railroad company of carrying the mails on its route or routes." I assume that this means the actual cost of performing the service and does not include any allowance for use of tracks, trains, stations, and the general plant of the railroad company. The average cost of operating the railroads and performing the service necessary for the transportation of freight, passengers, mail, and express is about 66 per cent of the gross revenue received. The remaining 34 per cent is required to pay taxes, interest on bonds, and out of the remainder such dividends to the stockholders as the balance may justify. We, therefore, estimate that it requires at least 50 per cent of the cost of performing service

to pay fixed charges and a reasonable interest on the cost of the property and equipment used in performing the service. Therefore, the proposed 6 per cent to be added to the cost of performing the service of carrying the mails would not be one-fifth of the interest charge on the property used in performing such service. The Government would, therefore, be receiving at least 25 per cent of the actual cost of performing the service without compensation.

The proposed bill also puts in the power of the Postmaster General the placing of fines on the railroad companies for all manner of things, and leaves it absolutely in his power, without any right of appeal, to fine as he pleases.

The whole bill is what is called a "jug-handled arrangement" and the Postmaster General will hold the handle.

In answer to the third question, "What is a desirable plan for compensating railroad companies for transportation of the mails"? I have only one opinion—and that is, that any plan which is fair and equitable and gives a fair consideration for the service rendered with such a reasonable amount of profit as is contemplated by law would be a desirable plan. If the Postmaster General and the railroads can not agree on what is fair compensation, then I would suggest a commission of fair-minded and disinterested men to decide what would be fair compensation.

Yours, very truly,

J. RAMSEY, Jr.

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THE BALTIMORE & OHIO RAILROAD CO.,
*Baltimore, Md., October 25, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: This will acknowledge receipt of your communication of the 11th ultimo, with respect to the consideration to be given by a joint committee of Congress to the question of compensation to be paid to railroad companies for the transportation of the mails.

Replying to the inquiries you submit:

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads?

Answer. By the present plan we assume you refer to the practice of paying by weight, plus allowances for cars used in the Railway Postal Service and for special terminal and other minor services. Our view is that this plan of compensation can be applied so as to be equitable alike to the Government and to the railroads, and is correct in principle in that it recognizes and compensates for special facilities furnished as well as for the quantity of mail carried.

Under the present application of the plan, however, there appear to be numerous inequities to the railroads in that:

(*a*) Through the practice of quadrennial weighings the railroad companies are compensated for carrying the mail on the weight ascertained at the beginning of a four-year period, and therefore carry the natural growth of mail in a given territory during the succeeding four years without compensation; consequently they are performing a constantly increasing service without remuneration.

(*b*) In ascertaining the daily average weight of mail it is believed that the present practice, dating from the act of Congress of March 2, 1907, supplemented by order No. 412 of the Postmaster General changing the divisor, is not equitable, in that the railroads giving the greater measure of service for a given quantity of mail carried receive the lesser compensation.

(*c*) While provision has been made for compensation where full postal cars are used, where compartment cars are used the railroads are called upon to furnish a large amount of car-foot space for Railway Mail Service without compensation therefor.

(*d*) As a rule the provision for terminal service is inadequate, while for "side messenger service" no compensation is provided.

With the correction of these details, it is believed that the general provisions of the present law will be found to be equitable alike to the Government and to the railroads.

Question 2. Is the underlying principle of the plan embodied in suggested bill 7371 a proper basis for compensation?

Answer. We understand that the purport of this bill is to apply a plan of compensation based upon operating costs and taxes apportioned on car-foot space as occupied by the respective classes of passenger-train traffic. A basis of compensation on car-foot space properly apportioned might be equitable,

provided cost accounting could be developed to a point of sufficient accuracy, and provided such accounting recognized and embraced all elements of cost. The plan proposed in Senate bill 7371, however, is not based upon an accepted basis of cost accounting, and is believed to be fundamentally wrong in that it does not recognize and provide a fair return upon the proportion of capital employed in the enterprise—in fact, provide for no return whatever upon capital account.

Question 3. What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

Answer. As indicated above, we feel that with certain modifications the plan that has been in operation for a number of years past can be adjusted and operated so as to be fair and equitable to the Government and to the carriers alike.

It is recognized, however, that this is a very important subject, bearing on the different classes of service and the different sections of the country in various ways, and therefore the railways' members of the American Railway Association have appointed a committee on railway mail pay, which for several months has been giving consideration to the subject of mail compensation. We have noted the communication of the acting chairman of this committee, addressed to you under date of October 3, and concur in the position taken by the committee in its response to your inquiries. We feel that this committee will be in position from time to time to give you further full and accurate information on many points bearing on this subject, and to make more valuable suggestions in line with your inquiry than a single railroad could possibly do.

Under recent laws additional burdens have been placed upon the railroad companies and particularly in the way of requirements for steel postal cars, and through department orders similar requirements have been made to cover mail apartment cars, these cars being in substitution for cars previously constructed on plans approved by the postal authorities. We do not criticize the general desire under changed conditions for stronger and better cars in railway postal service, but such changes do require the abandonment of equipment heretofore considered adequate, and the substitution of new equipment. All of these changes involve increased cost to the railroads and the expenditure of additional capital. Notwithstanding this, and in the face of an increased amount of mail carried, the compensation for railway mail service has been seriously decreased, thus encroaching on the net revenues of the companies, which should be augmented rather than decreased if the railroad credits are to be upheld on a basis to maintain the roads in a position to extend both the amount and character of service necessary to meet the growing public requirements.

We appreciate the evident desire of your committee to determine this question on a basis equitable alike to the Government and to the railways, and I am sure the railways generally will gladly cooperate with your committee in its endeavor to arrive at a conclusion.

Very respectfully, D. WILLARD.

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BANGOR & AROOSTOOK RAILROAD CO.,
*Bangor, Me., September 25, 1912.*

Hon. JONATHAN BOURNE, Jr., *Washington, D. C.*

DEAR SIR: To your inquiries of September 11 I beg to say:

(1) I do not deem the result obtained for the Bangor & Aroostook Railroad Co. under "the present plan of compensation" an equitable one. Its operation is, in my opinion, inequitable because Federal procedure is often arbitrary and because the practical and the responsible are too much subordinated to the opposite.

(2) In my opinion "the underlying principle" is not "a proper one," in that no one person, however able, or however conscientious, can acquire knowledge of all of the direct and incidental cost which is imposed upon, and which each railroad company imposes upon itself in movng the mails. (Desire to well serve patrons often results in contribution of service which costs many times more than the governmental allowance in return.) Experience has taught that a Federal officer who has been to pains to investigate specific service, and inadequacy of compensation, may resign, or be displaced, before an equitable adjustment is possible.

(3) My opinion is that a competent representative of the Post Office Department should join a competent representative of each railroad company in an inspection of the service which is performed on every section of road over which mail is transported, and that the same standards should be applied between Post Office Department and railroads as it is intended to have applied between other purchasers of transportation and the railroads per interstate commerce and other relevant laws.

Yours, truly, F. W. CRAM, *President.*

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BESSEMER & LAKE ERIE RAILROAD CO.,
*Pittsburgh, Pa., October 14, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I duly received your letter of September 11, with copy of Senate bill No. 7371, asking for replies to certain interrogatories.

The committee on railway-mail pay of the American Railway Association has submitted a reply to your letter, a copy of which has been furnished to us, which we fully indorse and agree to the position taken by that committee.

We would further state, however, that as far as the Bessemer & Lake Erie Railroad Co. is concerned, the compensation should be on a remunerative basis for the investment in especially fitted cars and facilities provided, and, in addition, that the railroad should also receive revenue on a more equitable basis for tonnage handled.

The fact is that the usual weighing period has been in the spring of the year, when business is lightest, and no consideration is given for the heavier tonnage during the balance of the year, nor are the railroad companies allowed, as they should be, compensation based upon the cost of the service and equipment, with a reasonable profit.

The bill as presented by you provides that "the Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper." This puts more power in the hands of the Postmaster General than heretofore enjoyed by him, and those who have had experience know that the power has already been exercised to its limit.

The further clause that if the railways disagree with the conclusion of the Postmaster General, either as to form, significance, or assignment, the matter shall be referred on appeal to the Interstate Commerce Commission. The Interstate Commerce Commission long ago despaired of applying a rational basis of apportionment of operating expenses as between passenger and freight traffic. We think the burden imposed upon the Interstate Commerce Commission by such appeals would be a source of annoyance not only to the commission but to the railroads, as the determination of the appeal would involve a study of each road's conditions, varying to a great extent from year to year.

We have had an experience with the Post Office Department in regard to the matter of compensation and have found that the arbitrary methods pursued by this department are one-sided to the extreme. There is no chance for reaching the Postmaster General with an appeal beyond the Second Assistant Postmaster General, the latter's stereotyped reply being that the matter has been passed upon by the Postmaster General, and that seems to be the end of the matter as far as the department is concerned. We took exception to their method of computing compensation for the present four years as against the previous four years, and showed by facts and figures that our compensation was $900 less on the present basis and that we handled on an average for the 90 days' weighing period 5,392 pounds, as against 4,747 pounds, on which the former basis was arrived at. Their method of computation was based on a divisor of seven, used arbitrarily for all roads in our class, yet we handled no mail on Sunday and were entitled to a divisor of six, which would have given us a better revenue and which we were entitled to. This was brushed aside with the statement that "their method of ascertaining the average daily weight has become an established rule and has been applied to all service without exception since the promulgation of the order covering the service of all States except those embraced in the fourth contract section (Western States), which would be weighing the following spring, and to which it will then be applied." That settled the whole proposition as far as the Post Office

Department was concerned, and there was nothing for us to do but to submit. We submitted, but brought suit against the Government of the United States for what we felt we were entitled to, and the matter is now pending in the Court of Claims (No. 31230).

Respectfully, E. H. UTLEY, *General Manager.*

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BELLEFONTE CENTRAL RAILROAD CO.,
*Philadelphia, October 9, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: Your polite favor of September 11, concerning Senate bill 7371, was duly received. In replying I shall endeavor to give such available figures as seem to substantiate my views.

1. The present system of fixing mail pay, if amended as proposed in House bill 4044, would be equitable and satisfactory.

2. Senate bill 7371 appears to me to be crude and indifferent to the rights of the railways, as for example:

*Cost plus 6 per cent.*—To the casual observer the cost of service plus 6 per cents seems to be a sufficient compensation. I shall try to show that this is not the case, and that we have just grounds for complaining of the new plan.

I am, of course, writing from the standpoint of the short lines, which number in this State alone, according to the report of the Bureau of Railways of Pennsylvania for the year ending June 30, 1911, pages XVII–XX, 132 roads, with a total mileage in the State of 3,040 miles.

Operations for the year were as follows:

Gross earnings from operation, $12,115,694, or $3,985 per mile; operating expenses, $8,332,971, or 68.7 per cent of the gross; other expenses, taxes, interest, and renewals, $3,006,650, or 20.5 per cent of the gross; total dividends paid, $750,978, averaging 1.13 per cent on a stock capital of $21,720 per mile.

The average ratio of operating expenses to gross earnings from operation of all the roads in the State is 70.5 per cent, and 70 per cent is the average of all the roads of this country with annual operating revenues of $1,000,000 or more.

If we take 70 per cent as a fair estimate of the proper figure, a little thought will show that it will require the operating expenses with 40 per cent of the operating expenses added to equal the average operating revenue earned at present and needed to properly conduct the roads.

Evidently, since it took the cost of operation with 40 per cent of the cost added to enable the short lines of Pennsylvania to pay dividends of 1½ per cent upon a reasonable capitalization, the cost plus 6 per cent of the cost is insufficient compensation.

*Fair and equitable cost.*—We anticipate, from House Document 105, that if the Postmaster General be permitted, under the vague provision of this bill, to "determine the cost of carrying the mails in such manner as he shall deem fair and equitable," we should be much worse off than we are at present. Referring to pages 272–273 of Document 105:

The department allowed us at the rate of $3,260.92 car-feet miles per annum; we claim $8,100 car-feet miles per annum.

The department estimated the cost to us at $592.32 per annum; we claimed a cost of $2,469 per annum.

The department estimated our profit at $575.40 per annum; we asserted a loss of $1,521 per annum.

The roads complain very generally of the way in which their figures have been employed in the preparation of the document. The calculations seem to be based upon a rule which the department has laid down that 6 linear inches shall be allowed for 100 pounds of mail, 10 inches for 200 pounds, and 5 inches for each 100 pounds over 200 pounds.

When a car is filled to the roof with mail matter this may be correct; I do not know; but it is not correct for a closed-pouch service like ours, where the amount of mail varies from 1 bag to 40 bags, where the larger amount must be provided for, and where this small number can not be compressed into the same proportionate space as if the car was full of mail.

I hold, therefore, that the "car-space-used" basis of estimating for a closed-pouch service is inapplicable to conditions, and that neither the amount of the compensation proposed nor the manner of ascertaining it is safe or satisfactory.

For the year ending June 30, 1912, a careful estimate of the cost to us of conducting the mail service, counting in operating expenses, depreciation, and taxes, is as follows:

| | | |
|---|---|---|
| Cost of service | | $2,474.46 |
| Mail revenue | $1,167.67 | |
| Less deliveries | 220.00 | |
| | | 947.67 |
| Net loss | | 1,526.79 |

*Deliveries.*—We do not consider the cost of deliveries—$220, as above—to be an operating expense. It is not railway service of any sort. We have to let the work to outside parties, and the pay they receive is simply a deduction from our mail pay.

This bill proposes that the roads shall provide side, terminal, and direct transfer service. In my opinion it would be better and cheaper, at such small places as are usually served by the short lines, if the duty of collecting and delivering the mails were assigned to the local postmasters. They should perform it with little, if any, increase of compensation. The railway employees can not do it, as they are fully occupied at the times of arrival or departure of trains in selling tickets or handling freight, and for this reason we have to contract for the work at the rate of $488 per mile, being paid ourselves at the railway rate of $59.85 per mile.

House bill 4044 proposes to relieve the railways of side and terminal deliveries.

The Senate bill provides that the railways must accept the compensation offered or suffer heavy penalties, confiscatory penalties. I do not suppose that this probably unconstitutional provision will be seriously considered by Congress.

3. As to offering a suggestion for a desirable plan of compensation, I would say that House bill 4044 appears to me to meet the requirements very well. If this can not be accepted, I would renew a suggestion that I made some years ago to the effect that the mail should be weighed for every train and settled for under a tariff proportionate to other tariffs and subject to regulation. I can see no objection to this plan.

In House document 105 I find the names of only about 12 of the 132 short lines of this State. Perhaps the short lines did not respond very generally to the request to report upon their mail service. If so, it is to be regretted, as the framers of the bill seem to be unfamiliar with the conditions existing upon the short lines, or have at least not taken them sufficiently into account in drawing it up.

It seems to me that in this and in all railway legislaion it would be just and conducive to the intended reforms that some classification of the railways should be adopted, either according to their mileage or by their gross earnings, as already prevails in some of our States.

The more we study the subject the more plainly it appears that laws which are applicable to trunk lines and proper in their cases may easily be ruinous to the short lines.

Such unintentional and oppressive results ought to be looked out for and avoided wherever possible.

With much respect, I remain,

Very truly, yours, ROBERT FRAZER, *President.*

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BOYNE CITY, GAYLORD & ALPENA RAILROAD CO.,
*Boyne City, Mich., October 2, 1912.*

JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Your letter of September 11 to Mr. W. H. White, inclosing Senate bill No. 7371, is received and noted.

We do not think your bill would be a desirable one to pass. In the first place, we think you are figuring on a wrong basis to be fair with the railroad companies. Second, we think you would get into a very complicated controversy as to the compensation that should be paid to the railroad company. There are very many different conditions existing over the country and we think you will have to figure out some different plan. On a short road, such as we operate, no

special equipment is provided for carrying the mails. It is carried along with the express and only requires a small amount of space. We think it is not fair to railroad construction to hold the actual earnings down to a 6-per cent basis. If it were not for the railroads the country would not be what it is, and you people in Washington should be figuring to give them a fair deal rather than to see how close you can figure all the time.

Yours, very truly,

W. L MARTIN, *Secretary.*

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BOSTON, REVERE BEACH & LYNN RAILROAD,
*Boston, September 16, 1912.*

HON. JONATHAN BOURNE, JR.,
*Washington, D. C.*

DEAR SIR: Yours of the 11th instant, inclosing Senate bill 7371, has been received.

In reply, I will say that this company carries mail to two small towns adjoining Boston. The amount of compensation is so small that I prefer not to express an opinion in regard to the matter.

Yours, very truly,

JOHN A. FENNO, *Superintendent.*

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BUFFALO, ROCHESTER & PITTSBURGH RAILWAY CO.,
*Rochester, N. Y., November 1, 1912.*

HON. JONATHAN BOURNE, JR.,
*Washington, D. C.*

DEAR SIR: Replying to your letter of September 11, propounding three questions in relation to mail pay:

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads?

Answer. We do not deem equitable the plan outlined in Senate bill 7371, but do believe that House bill 4044, introduced by Mr. Talbott on April 11, 1911, is more equitable to both the United States and this railroad. This bill in short provides (*a*) for a flat rate of $75 per mile per year for carrying mail not to exceed 500 pounds in weight per day; (*b*) annual weighing, thus giving (*c*) relief to railroads from delivering mails at points beyond their stations; (*d*) provides that space in apartment cars used for post-office purposes shall be paid for at a pro rata rate of the rate now paid for cars 40 feet in length.

Question 2. Is the underlying principle of the plan embodied in Senate bill 7371 a proper basis for compensation?

Answer. The underlying principle of the plan embodied in Senate bill 7371 is not correct. Any plan for compensation based upon operating cost plus 6 per cent as a maximum for profit is fundamentally wrong. Furthermore, it gives to the Postmaster General the power to ascertain by his own method the cost to a railroad of conducting its business, and such arbitrary method, in our opinion, is wholly impracticable and would prove disastrous in most, if not all, lines of trade. Moreover, this bill does not require the Postmaster General to pay to the railroad its cost of conducting mail transportation plus 6 per cent, but such authorized payment describes that such cost (ascertained by him) plus 6 per cent is a maximum beyond which he may not go, and such amount that he shall pay is left wholly to his discretion. There further appears to be no method of appeal by the railroad other than that matters bearing upon the question of what the Postmaster General shall and does pay may be referred to the commission, but does not give the railroads an opportunity to be heard by that commission, and should the railroad feel that the compensation is not just, may not refuse to handle mail (at a loss) without committing an unlawful act and making itself liable to a fine for so doing.

Question 3. What, in your opinion, is a desirable plan for compensating railroad companies for transportation of mails?

Answer. As stated in answer to question No. 1, House bill No. 4044, introduced by Mr. Talbott, of Maryland, on April 11, 1911, amending the present law, seems to meet present-day conditions much more satisfactorily in so far as it proposes: Annual weighing of mails, thus giving to the carriers the benefits of the natural increase in weight of mail each year; proper payment for space used in apartment cars assigned to R. P. O. service, based on the pro rata that

car space used bears to a car 40 feet in length, as is provided for; relief from terminal and side-line delivery; establishes a minimum of $75 for routes carrying less than 500 pounds per day.

Bearing in mind that it is the intent of the United States to deal fairly with the carriers, it appears to me that this bill falls into class legislation in so far as the United States would assume the position of a favorite shipper. The underlying principle of the interstate-commerce law is equality among shippers and to prevent discrimination. The bill as introduced permits of discrimination at the discretion of the Postmaster General, in whom is conferred the right to decide what the rate of compensation to a carrier shall be, and empowers him to arbitrarily order the carrier to perform a service whether it be at a profit or at a loss.

Yours, truly,

H. E. HUNTINGTON,
*General Passenger Agent.*

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CAROLINA & NORTHWESTERN RAILWAY CO.,
*Chester, S. C., October 8, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I have been furnished with a copy of reply forwarded by the committe on railway mail pay, and fully indorse the position taken by that committee, with the further expression of views on the subject:

Question 3. (A) Weigh 30 days in each year.

(B) Divide by six days (and not penalize the line that gives seven-day service).

(C) Pay on present basis for hauling.

(D) Either pay a fair passenger rate per mile for post-office clerks and other employees, or relieve the railroads from all personal-injury claims on their account.

(E) Relieve lines of terminal or side-line deliveries, else pay for them.

(F) In addition to the rate paid for actual haulage, allow for compensation for all car space exclusively used by the Post Office Department.

(G) Would further ask you to consider the fact that the rate basis for carrying the mails was established at a time when there were no mail cars, clerks, or carriers, and the railroads carried the mail bags in their baggage cars and dropped them off, as per tags. The weight basis is the correct basis for that service, but when postal clerks were added and post offices on wheels demanded and required to be attended to better than the parlor-car service on the lines on which they run, it goes without fear of contradiction that the roads should have pay for each service separately.

And further, there is no justification from any business standpoint in only considering cost of service and not include fixed charges, which must be incurred before the service can be performed. It reminds me of the merchant who purchased a fine store, put in a large stock of goods and sold them on basis of cost of clerk hire, without considering the value of the goods or plant. Absurd, you say, and I agree with you, but that is an exact parallel to the basis of pay proposed in bill No. 7371.

Yours, very truly,

L. T. NICHOLS,
*General Manager.*

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CENTRAL RAILWAY CO. OF ARKANSAS,
*Plainview, Ark., September 17, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: We have your favor of the 11th. We do not operate extensively enough to give you an opinion of what you require. As far as we are personally concerned, the present laws are satisfactory to us for handling the mails. If we had a more extensive railway it would probably be different.

We trust this information will answer your purpose. We are,

Yours, truly,

CENTRAL RAILWAY CO. OF ARKANSAS,
By C. W. JONES, *General Manager.*

CHARLESTON & WESTERN CAROLINA RAILWAY CO.,
*Augusta, Ga., September 25, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Replying to your circular letter of September 11 inviting answers to certain questions concerning the compensation now paid railroads and proposed compensation as set forth in Senate bill 7371.

Answering your first question: I do not regard the present plan of compensation an equitable one as between the Government and the railroad that I represent, for the reason that we are not paid for the apartment cars, while full-length cars are paid for, and, further, because the rate paid is far less than the actual cost as evidenced by certain statistical information which you will find contained in a brief which I submitted to the Committee on the Post Office and Post Roads of the House of Representatives, a copy of which brief I herewith inclose, since which time, by the way, our mail-car mileage has been largely increased, thus reducing our revenues per apartment car-mile to about 5 cents.

Second. I do not think that the plan embodied in the proposed Senate bill a proper basis for compensation, but I will not attempt at this time to discuss it.

Third. I am rather inclined to believe that the present plan as a basis is probably about as good a one as we will be able to arrive at, with the additional feature that all mail-car space should be paid for and not confine it to full-length cars only, and thus discriminating in favor of the heavy mail routes when as a matter of fact the weaker lines should be protected in every way possible. Further, that the mail should be weighed at least annually or else that an adjustment be made following the weighing after four years, based upon an increase for the average time.

Yours, very truly,

A. W. ANDERSON,
*General Manager.*

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CHARLESTON & WESTERN CAROLINA RAILWAY CO.,
*Augusta, Ga., December 15, 1910.*

Hon. JOHN W. WEEKS, *Washington, D. C.*

MY DEAR SIR: When we were given a hearing by your committee on June 14 last you laid down the proposition, by inference if not in words, that if the railroads of the country handled any business without profit on passenger trains through a voluntary arrangement it was reasonable that we should be required to carry the United States mails at an unprofitable rate whether we wished to do so or not.

It appears, therefore, Mr. Chairman and gentlemen, that we must not only show this committee that the rates paid us for carrying the mails are unprofitable, but we must also show why express rates are as low and in some cases possibly lower, and why there can be no comparison between the two, and why, even if so alike as to warrant comparison, the pay should not necessarily be the same.

No one thing, possibly, has done more to develop this great country of ours in the past than the liberal treatment given the railroads. It may be true that in some instances high rates have been charged, but it unquestionably is also true that the right to conduct their business in their own way has made possible the construction of many roads that, under conditions existing at this time, would never have been constructed, among others, the railroad I represent; and although some portions of it were completed nearly 40 years ago, and all of it over 25, it has not yet reached a point where it could pay even a low rate of interest to its owners. All earnings in excess of interest on a low bonded indebtedness have been devoted to improving the property in an effort to make it valuable, not alone to its stockholders but also to the section through which it runs.

Some of our rates per ton per mile seem high; others so low as to make it questionable whether profitable. The passenger rates are the same as apply on other lines. What I have said of our line can be said of many others throughout our section.

No matter what the conditions are or how many tons per train-mile can be hauled, no railroad could live and charge on all of its business what it earns per ton per mile on its lowest class of traffic. Therefore rates must vary, not alone because the articles hauled may differ, nor on account of the care that

must be exercised in the handling of one as compared to the other, but they must differ for still another reason that is recognized as perfectly sound, and that is that one class of traffic can afford to pay a higher rate than another, though similar in many respects; another thing always considered is volume; still another, value.

To properly develop a business it has been a well-known practice, and one that I think is beyond criticism, to charge rates that will enable the business to develop.

Fast service, safe service, and frequent service are of much more importance to the individual than the mere question of whether he pays a few cents more or less per hundred on freight that he may ship, and nothing is so much deplored from a standpoint of progress and development as the attitude displayed, not alone by the public, and largely by them through a real misconception of the facts, but by the Government itself, as evidenced by the utterly inadequate pay fixed by Congress for carrying the mails. I say "fixed" advisedly; for while we could no doubt sustain in the courts a refusal to perform the service at the rates paid, public sentiment and our wish to do our full duty to our patrons has led us to perform the service at such rates as you fix and under such regulations as the department has laid down.

Notwithstanding the fact that we are spending considerably more money in the maintenance and operation of our property than we earned 10 years ago, we are actually being paid a total of less for carrying the mails now than we were paid 10 years ago, though we are handling, of course, more mail and are performing 50 per cent more mail car miles.

Please note the following actual figures:

| | | |
|---|---|---|
| Total mail pay, 1900–1901 | $23,489.73 | |
| Total mail pay, 1909–10 | 22,930.90 | |
| Decrease | 558.83 | or 2.38 per cent. |
| Total mail car miles, 1900–1901 | 252,748 | |
| Total mail car miles, 1909–10 | 378,177 | |
| Increase | 125,429 | or 49.82 per cent. |

| | Cents. |
|---|---|
| Rate paid per mail car mile, 1900–1901 | 9.3 |
| Rate paid per mail car mile, 1909–10 | 6.1 |

These figures are exclusive of pouch routes, nor do they take into consideration the cost of handling to and from post offices, which, if included, would still further reduce our earnings per car mile.

Assuming that there had been no increase in the weight carried and that we were being paid only the increase we were entitled to (if there had been no change in the rates paid us) on account of increased cost of doing business, we would have been paid about 12 cents per mail car mile instead of 6.1 cents.

Deducting alone the cost of handling the mails to and from post offices, which work we also do, it would reduce our net earnings for the handling of 378,177 mail car miles and the pouch routes to $19,795.06, or to 5.2 cents per mail car mile.

We have been asked to say what a reasonable compensation would be. To answer this question in a word and without giving my reasons and some facts and figures would, I believe, be unsatisfactory to your committee. I will undertake, therefore, to give you some figures by which you can arrive at what I think should be at least our minimum pay per mail car mile.

We have never regarded our passenger business as a profitable one, as you will understand from the following figures:

During the past year our passenger service revenue per train-mile was 74.18 cents. Our operating expenses per train-mile amounted to $1.22. Last year our average passenger train revenue per car mile, including Pullman cars, coaches, baggage cars, mail cars, and express cars, was 26.23 cents per mile, and yet our mail, which practically occupies the half of one car, paid us only 6.1 cents per car mile, or less than one-half, approximately, of what the average car in our passenger trains earned, and that, too, notwithstanding there was but little, if any, profit from our passenger trains.

Our cheapest service is supposed to be our freight-train service. It is cheapest because of the large volume that can be handled in the most inexpensive way. It is because the facilities and men engaged cost less per dollar earned

than in the passenger service. It is because the original cost of freight cars, and, as well, the maintenance, is hardly one-tenth the cost of passenger cars, and it is also because we do not have to furnish, in many other respects, the same expensive service that is required by passengers.

I am sure it will be admitted by this committee that if the vast majority of our railroads failed to make something on their freight business they would fail to pay expenses, and that if we use our cheapest service as a comparison we go very much further than we ought to go in demonstrating the inadequate pay allowed us for handling the United States mails.

We averaged last year earning 17 cents per car mile for every freight car, whether loaded or empty, handled on our line, and yet we only earned 6.1 cents per mail car mile, not including, mind you, the handling of mail to and from post offices; nor does this include 72,616 pouch route miles.

We have very recently, at the request of the department, put on additional mail-car service that will add 22,536 miles and reduce our revenue per mile still further—from 6.1 cents to 5.7 cents. Please bear in mind that this additional service will have to be performed for some two years longer without one dollar's additional pay. We have also been asked by the department for other mail-car service, which will add 43,800 more miles, without pay, or a total of 66,336 additional miles. This largely increasing our already nonprofitable work reminds me of the story of the merchant who, when asked how he managed to sell his clothing below cost, as he claimed to do, gave as his explanation that he sold so much of it.

Possibly the Post Office Department has this in mind when they add 66,336 more mail car miles to the service we are already performing at a loss. Could anything be less reasonable and more unfair?

The space set aside in our apartment cars for mail service averages about 192 square feet per car, while our freight-car average is about 306 square feet per car. We therefore find that had our mail-car service paid the same rate per square foot per mile that our freight-car service paid, we would have earned 10.7 cents per mail car mile, instead of 6.1 cents, or $40,464.94 instead of $22,930.90, our present mail pay.

Is this statement of facts alone not sufficient to convince you how inadequately we are paid?

Compare the character of cars, the character of contents, including the Government's employee, who is in every sense regarded as a passenger, the fast service, the greater risks, and the extra delivery service at stations with the ordinary freight service, and surely it can not be questioned that the pay allowed us is absurdly low.

We have been asked in what way our mail pay has been reduced and to what extent. Need I answer the question other than to refer to the fact that our total pay to-day is less than it was 10 years ago, though gross earnings of our road per mile have increased during that time fully 100 per cent, and our mail car miles have increased 50 per cent, and our gross operating expenses during this time have increased practically 100 per cent?

If our rates had not been reduced and we had been paid in accord with the increased cost of doing business, not to mention the increased mail car miles, we would get to-day twice as much as we were paid 10 years ago.

At the hearing before this committee in June last I called attention to the pay of the rural delivery carrier as compared with the pay given the railroads. The rural carrier is given 12 cents per mile for handling a few pounds of mail. The public furnish the highway that he operates over and maintain it. It is optional with the carrier whether he rides or walks. If the former, it is through no greater necessity than because he prefers the ease rather than the saving of the cost involved in riding. The railroads maintain their own highway, at a cost to them of, in many cases, one-fifth of their gross earnings They must furnish not only a conveyance for the transportation of the mail, but they must furnish an office on wheels for the use of the Government's messenger, whom they must also transport free and must provide him with all of the comforts furnished other passengers. The one is paid 12 cents per mile; the other, at least our road, is paid 6 cents per mile. There must be some cause for so great a difference. Is it because the Government can not get its work performed by the individual if it paid even as low rates as it pays the railroads for 10, yes, 20, times the service? Surely the fact alone that the Government may force its regulations upon the one, while it must pay the other reasonable rates or else do without the service, is not the reason that we are being paid such unjust rates; rather, it should be a reason why the Government should see that we are properly paid.

From the questions asked by your committee regarding our arrangement with the express company you seem to have in mind that our express earnings should be used as a basis to govern our mail pay.

For the information of the committee I will state that we have a contract with the Southern Express Co. Our contract, I suppose, is very similar to contracts in effect between other roads and the Southern Express Co. It provides that we should get (I haven't the exact figures before me) one-half of the express earnings for hauling the express. It also provides that the express company assumes all responsibility for personal injury and loss and damage claims, except charges on such perishable freight as may not move after having been receipted for. The express company must also furnish all employees necessary to handle the business where it originates, at its destination, and at transfer points en route.

The contract also provides for certain responsible services to be performed for the railroad in the way of transporting money from the agencies collected to such points as may be designated; in fact, the arrangement, in a few words, is that the railroad company agrees simply to haul the business and the express company agrees to perform certain free service and to assume all risks and expenses, the proceeds to be divided between the two.

Our experience has been that there was little or no profit in the express business to us, but it is so much a part of the railroad business that we do not feel that we can get away from it.

Our express revenues in the past 10 years have varied from as low as $6,843.67 in 1900–1901 to $27,561.75 in 1906–7. I don't believe that the express company, so far as some of the worst years in the past 10 are concerned, have made a dollar, any more than we have, out of the business, and I have no doubt but that they would be willing, if they could do so, to go out of the business on our road just as readily as we would be willing to do so.

The handling of mail and the handling of express is as different as two propositions can be. In carrying the mails we are performing a service without having the slightest interest in the revenues derived; the other is an arrangement in which we participate in the earnings upon an agreed basis that is as much to our advantage as it is to the express company, and worth nothing directly to either.

I was asked by a member of this committee in June last why we did not make a better arrangement with the express company and get more out of it. I believe that the facts stated above will answer that question; that is to say, I believe we have made about the best trade we could expect to make, and one certainly as good as the express company would make with us in view of the very low express earnings.

Another feature of the agreement with the express company that I failed to mention is that the express company agree not to name a lower charge than would be agreeable to us. Our reason for this must be plain, and that is that we want the express rates maintained at such a standard as not to interfere with our freight business. Certainly, we do not want to encourage business to move by express that could move by freight when we get all of the revenue instead of dividing it with the express company. The theory is that we want only such high-class business as will stand much higher rates to be tendered the express company. If it is of such a character as can stand freight service, we want it to move by freight.

A member of your committee at the June hearing—Mr. Lowden, I believe it was—asked me to be prepared to give this committee our line's proportion of the rate from Washington to Augusta, stating that the information would bear on the question under discussion, as it would show what we did when we made a voluntary agreement with the Atlantic Coast Line Railroad upon freight matter under a traffic agreement as compared with the involuntary arrangement with the Government.

We are paid for handling the mail between Robbins and Augusta $59.85 per mile per year for 444 pounds of mail matter, and I do not understand that that rate is affected in any way by the distance that the mail has been handled or whether the mail comes from a point on our line or from Washington, D. C.

The rate, Washington to Augusta, on first-class freight, is 89 cents per 100 pounds; this rate is divided, up to Richmond 16 cents, and the balance of 73 cents, from Richmond to Augusta, is divided, Atlantic Coast Line, 75.2 per cent, and Charleston & Western Carolina, 24.8 per cent; that is to say, the Atlantic Coast Line, for 430 miles, fifteen-sixteenths of the distance, gets 55 cents, while for 30 miles, one-sixteenth of the distance, we get 18 cents. The Coast Line gets

only three times as much for hauling the business 15 times as far. Certainly this must evidence our getting a fair share of the revenue when we are permitted to exercise our rights.

At the hearing in June the chairman of your committee asked me if I meant to suggest that the Government ought to pay more for the mail service performed than it cost, or more than the Government got out of it. My reply was: "Most assuredly."

Surely the Government does not expect us to haul mail at a loss because their revenue might not cover the cost. We do not share in the profits and, of course, should not suffer the losses.

If the Post Office Department would abolish free delivery, they would show a profit of many millions instead of a loss.

I believe that this committee will readily admit that the money is made for the Government by the railroad carriers. Suppose for a moment the Government had to transport its mail entirely through star routes or other like carriers, can it be doubted that instead of tens of millions deficit it would not be hundreds of millions?

If the railroads are making the money for the Post Office Department, how much greater the reason that they should be paid at least a reasonable profit for the service performed?

Is it fair, is it legal to require us to work, not only without profit, but at an actual loss?

Again referring to express rates and a comparison of mail pay with our express revenues.

The rate on cotton from Augusta to New York is 40 cents per 100 pounds. The rate on dry goods is 96 cents per 100, or considerably over twice as much, and yet both are composed entirely of cotton, both are handled in box cars, and both handled on freight trains, and yet no one, so far as I have ever heard, has taken the position that the rates should be the same.

Again, if we haul coal as low, in some instances, as 3½ mills per ton per mile, is that any possible reason why we should haul dry goods and cotton at the same rate? We earn per mile twice as much on fertilizers as we do on cotton seed, but is that a reason why fertilizers should take the same rate? No; I submit that we are entitled to a reasonable profit for handling the United States mails, no matter what we get out of the arrangement with the express company, and I submit that our arrangement with that company is a reasonable one, even though there is no profit to the railroads. Another difference between the two propositions is that when the express revenues increase from one month to another, we get the benefit of the increase, while no matter what the increased tonnage of our mails may be, nor does it matter how much we may have to increase our mail-car miles, our revenues from the mail service do not increase from one mail-weighing period to another; that is, for a period of four years. This, I think, should also be changed. Surely the present regulation can not be defended.

For your consideration we submit that no matter what the divisor has been, our revenue has been low, and inasmuch as the rates paid us have been based upon the divisor heretofore used that divisor has become a basis upon which mail pay has been constructed and should not be changed.

The tendency of mail rates, like all other rates, has been down, and we insist that with every expense pertaining to railroad operations going up and all rates going down, that it is a serious matter to disturb the very foundation upon which our pay was based and has been regulated for years.

We further submit that if the present divisor is retained that our rates per 100 pounds should be materially increased.

We further submit that a minimum mail car (or apartment car) rate per mile should be paid of not less than 20 cents, and for the reason that a less rate would not compare favorably with freight earnings per freight-car mile (our lowest rate profitable business), and for the further reason that any less minimum would not give us a substantial profit.

We further submit that we should be paid for office and mail-car space, whether full-length cars or apartment cars. There can hardly be a reason why post offices on wheels should be furnished by the railroads, free of charge, and transported over the roads for the convenience of the department, whether they are 20 feet in length or 40 feet in length.

In addition to the foregoing, we submit for your further consideration, answers to a number of questions bearing upon the mail-car service performed by us, the pay received, and a comparison with other passenger-train earnings.

From every point of view that has occurred to us, all figures point, with absolute conclusiveness, to the claim we make that we are not only badly underpaid, but that we are far from being paid the actual cost of the service performed.

All of which is most respectfully submitted.

Yours, very truly,

A. W. ANDERSON,
*General Manager.*

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CHESTNUT RIDGE RAILWAY CO.,
*Palmerton, Pa., September 17, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I gladly avail myself of your kind request to lay before you any comments which may occur to me in connection with Senate bill 7371.

Page 1 and page 2, lines 1 to 12: I heartily commend the curbing of the vast power of the Postmaster General by subjecting his methods to the review of the Interstate Commerce Commission. I feel, however, that railroads should be permitted to raise objection to the results obtained in each case as well as to the method employed.

Page 2, line 23, should be amended to read as follows: "He shall allow such rate."

Page 2, lines 18 to 24: The scheme contemplated seems to me to require railroads to handle United States mail without compensation. Your proposition is that railroads shall perform this service, shall pay the current cost of doing it out of their own pockets, and at the end of the year shall simply receive back the money which they have actually spent, together with the customary bank interest on same. The railroads only get back the money which they have actually expended, with interest, and get nothing for the service rendered.

Page 3, lines 7 to 12: The Postmaster General should be required to get his information from reports already filed with the Interstate Commerce Commission without imposing additional clerical burdens upon the railroads.

Page 3, lines 13 to 25, and page 4, lines 1 to 18: The power of the Postmaster General should be subject to the control of the Interstate Commerce Commission in these as in all other matters.

Page 7, lines 9 and 10: The Postmaster General should not be intrusted with the determining of the amount of fines without appeal.

Page 9, lines 3 to 7: To deny to railroad companies the fundamental right of refusing to enter into an unsatisfactory contract without providing adequate safeguards in the shape of appeal seems to me to violate the Constitution of the United States and the principles which underly all human rights and laws.

Yours, truly,

B. F. R. CLARK, *Auditor.*

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CHICAGO & ILLINOIS MIDLAND RAILWAY CO.,
*Chicago, October 18, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Replying to yours of the 11th ultimo, addressed to Mr. J. J. Hart, former vice president of this company, to which is attached a copy of proposed Senate bill No. 7371.

We do not consider the present plan of compensation an equitable one as between the Government and this company. Under the present system mail is weighed quadrennially, and the basis of compensation is fixed by the Government for that period, based on weight so ascertained, whereas the volume of the mail business is constantly increasing, with the result that under the existing plan the railroad receives no corresponding increase in revenue, which we believe should be conceded by reason of such increase. Under the present system the employee of the railroad company is compelled to carry the mails between the mail car and post offices in towns served by the railroad where the post offices are within 80 rods of the railroad's right of way. We are constrained to the opinion that the service of the carrier should properly terminate at its passenger stations. We do not consider the plan embodied in the proposed bill, which contemplates compensating the railroad companies on basis of actual

cost of the service, plus 6 per cent, as being remunerative, considering the character of the service performed. Furthermore such basis of compensation would not admit of the setting up of a reserve with which to purchase mail cars in the future, as they could not be purchased of the builders on a 6 per cent basis.

We believe that the basis of settlement between the Government and the railroads should be on practically the same lines as is the express business, i. e., at an agreed and remunerative rate per 100 pounds at actual weight, monthly settlement to be effected between the Government and the railroads as at present.

Respectfully submitted.

H. H. SEAVERNS, *Traffic Manager.*

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CHICAGO & LAKE SUPERIOR RAILWAY CO.,
*Cambridge, Wis., September 25, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Referring to your letter of September 11, regarding the new bill about to be placed before the Committee on Post Offices and Post Roads, asking our opinion upon the desirability of said bill, will reply:

No. 1. We do not deem the present plan of compensation an equitable one, for the reason that under the present plan the larger roads are receiving larger compensation for the work they are doing in accordance with their mileage, while the smaller roads with short mileage are not getting enough to pay the trouble of handling the mails; for instance, this road being a trifle less than 4 miles, is carrying for the Government eight mails a day, four each way, for which we receive the nominal sum of $180 per year, which shows on the face of it that it is not enough.

No. 2. The plan embodied in bill S. 7371 would not remedy this matter for the smaller lines. Take, for instance, this line, only having the mileage before stated, would not receive proper compensation for services rendered, and there should be a clause to protect the smaller lines in order that they may receive better compensation for their work.

No. 3. In our opinion a most desirable plan for compensating railroad companies for transportation of mail would be to place a sentence in this bill making the compensation for all roads with a mileage under 5 miles a special rate per mile, which would be enough to cover the expenses of handling the mail services. As before stated, this line is carrying eight mails per day and receiving compensation, carrying these mails to and from the post office to trains. We would be unable to hire a person to carry the mail from the Cambridge depot to the post office for the amount we receive for same, let alone the handling and responsibility of same while en route on trains and delivery of mail at London. I feel if you would look into this matter carefully you will see that we are right in the above statement.

Yours, truly,

B. L. DELAMATER.

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CHICAGO & NORTHWESTERN RAILWAY CO.,
*Chicago, Ill., November 25, 1912.*

Hon. JONATHAN BOURNE,
*Washington, D. C.*

DEAR SIR: Answering yours of September 11, 1912, transmitting bill No. 7371, introduced by you, and requesting replies to inquiries relative to the present and proposed plan as a basis for compensation to railroad companies for transportation of the mails, on behalf of the Chicago & North Western and Chicago, St. Paul, Minneapolis & Omaha Railway Co's., we respectfully submit the following answers to your inquiries:

First. We deem the present plan of compensation equitable, if modified as follows:

(A) Annual weighing of the mails.

(B) No reduction in the present rate of pay for transportation.

(C) Pay for space provided in apartment postal cars upon the basis of pay for railway post-office cars 40 feet in length, inside measurement.

(D) Relief from the performance of side and terminal messenger service regardless of distance between the post office and railroad station.

(E) Readjustment upon the basis of weight within a reasonable time after the establishment of parcel post.

Second. The underlying principal of the plan embodied in Senate bill No. 7371 is not correct for the following reasons:

(A) Contrary to all economic principles of business, and the method of which, if applied separately to the different classes of business, would ruin and bankrupt every railroad at once.

(B) Objection to granting authority to the Postmaster General to credit, assign, and apportion the revenues and expenditures of railroad companies. This accounting should be made in the usual manner adopted in accounting, or as directed by the Interstate Commerce Commission, granting railroad companies right to appeal to the courts.

(C) Objection to nonpayment for service over land-grant railroads or parts of railroads covered by land grants, being unfair and unjust.

(D) Objection to being required to place railway post-office and apartment postal cars for the purpose of performing advance distribution without an allowance of pay for the time cars are so placed and used.

(E) Objection to providing depot space for handling and distribution and transfer of mails en route, except for transfer clerks' quarters and space for use of railway post-office clerks for the purpose of storing their personal and official property between runs without a specific rental therefor.

(F) Objection to failure to specifically provide for rate to be paid for space devoted to the distribution of mails in transit in railway post-office and apartment postal cars.

(G) Objection to deductions for reduction or frequency of service unless additional pay be allowed for additional service and frequency of service during the period for which the adjustment is made.

Third. The present plan with modifications as stated in answer to inquiry No. 1.

Respectfully, W. A. GORDON, *President.*

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CHICAGO, BURLINGTON & QUINCY RAILROAD CO.,
*Chicago, October 8, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I am in receipt of your communication of September 11, propounding certain inquiries in reference to the present plan of compensation of the railways for handling the mail and requesting an expression of opinion from me as to the plan of Senate bill 7371.

I find that the committee on railway mail pay, upon which this company is represented, addressed a communication to you on the 3d instant in reference to the same subject. After carefully reading the letter of this committee, I beg to say that it fully accords with my own opinion in every particular.

The unfair administration of the present law gives ground for serious complaint and imposes serious losses upon the railroads. I feel certain that if the conditions are fully investigated and considered by your committee it will reach the same conclusion. I have no confidence in the justice of any plan of compensation based upon cost plus 6 per cent The underlying principle is wrong, because is penalizes efficiency, as fully stated by the committee. No other rates in the country are so based. In order to ascertain cost many intricate computations based upon numerous arbitrary assumptions will be required, and the results found in Senate document 105 upon this subject indicate that it would be impossible for the railroads to agree with the department upon the methods for determining such cost.

I feel that the remedy is to correct the wrongs that are being worked under the present law rather than to experiment with a wholly new principle as a basis for compensation.

I wish to adopt the answer of the committee on railway mail pay as a part of the reply which I submit to your honorable committee in behalf of both the Chicago, Burlington & Quincy Railroad Co. and the Colorado & Southern Railway Co.

Yours, respectfully, D. MILLER, *President.*

CHICAGO, MILWAUKEE & PUGET SOUND RAILWAY CO.

*Chicago, November 5, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: In reply to your circular letter of the 11th ultimo, the following is respectfully offered for your consideration:

(1) The theory of the present plan of compensating railway companies upon the basis of weight carried and special car space and equipment provided is, in my opinion, equitable. In its practical working out the compensation is inadequate under the Postmaster General's Order No. 412 and the last reduction in the rate.

We believe also that we are entitled to compensation for apartment-car space on the basis of a pro rata of the rate allowed for full 40-foot R. P. O. cars.

(2) Any legislation under which the Government makes the maximum payment for service rendered the actual cost plus 6 per cent, such cost to be determined by the representative of the Government, is not equity, but an arbitrary exercise of governmental power. It gives the purchaser the exclusive right to fix the price of that which is purchased.

(3) Payment on the basis of weight carried and exclusive space furnished at compensatory rates.

I understand that the objections to the proposed bill from the standpoint of the carriers, are being formulated in detail and will be presented to you by the committee on railway mail pay, together with their comments upon House Document No. 105, Sixty-second Congress.

Yours, very truly,

E. D. SEWALL,
*Vice President.*

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CHICAGO, MILWAUKEE & ST. PAUL RAILWAY CO.

*Chicago, November 18, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: Replying to the questions in your letter, relative to Senate bill 7371:

(1) I consider the present plan of compensation as fair as any that could be devised as between the Government and the railroads, although, since the Postmaster General's Order No. 412 and the last reduction in the rate, the compensation seems inadequate. I also think apartment cars should be paid for at the pro rata rate allowed for full 40-foot R. P. O. cars.

(2) I do not think the underlying principle of the plan embodied in bill S. 7371 is a proper basis for compensation for the reason that weight is generally used as a basis of compensation instead of space, although space is considered, to some extent, in the present method; and besides the bill allows too much discretion to the Postmaster General.

(3) As stated in answer to question No. 1, I consider the present method a reasonably fair one.

I understand that what is known as the committee on railway-mail pay, representing a number of the roads of the country, is preparing answers to the three questions in your letter, setting forth, in considerable detail, the objections to the proposed change in the method of arriving at compensation to the railroads for carrying the mails, and also stating the objections of the railways to House Document No. 105, Sixty-second Congress.

Yours, truly,

E. W. MCKENNA,
*Vice President.*

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CHICAGO, PEORIA & ST. LOUIS RAILWAY CO. OF ILLINOIS,
*Springfield, Ill., September 23, 1912.*

Hon. JONATHAN BOURNE, Jr.
*Washington, D. C.*

DEAR SIR: In replying to your esteemed favor of the 11th instant, in which you ask for suggestions or criticisms in connection with Senate bill 7371, to provide the manner of determining the compensation of railroads for the transportation of mails. the only suggestion or criticism which I can offer at this

time is contained in the broad statement that, in my estimation, a great waste of energy and money has been incurred in the preparation of the bill referred to.

In my opinion a much more satisfactory bill could have been prepared had those in charge of the work thought to provide one wherein it was provided that the Postmaster General shall have the power to compel any and all railroads to handle United States mail in any and all trains and cars and fix the compensation to be paid for the service rendered. Upon the order of the Postmaster General all railroads shall furnish free transportation to all employees of the Post Office Department and provide special equipment in which said employees should be privileged to ride, and, finally, that any laws now on the statute books giving to the railroad companies any rights whatever inconsistent with the foregoing should be repealed and the passage of any such laws in the future prohibited.

In other words, I think that Senate bill 7371 is as inequitable and unfair to the railroads as any such bill could possibly be. It gives absolute and dictatorial powers to the Postmaster General and names as the sole arbitrator to be appealed to in case of dispute another department of the Government. So far as the transportation of mails is concerned, the relation the Government bears to the railroad companies is the same as that of the express companies to the railroad companies, and I think the railroad companies, in the handling of United States mails, are entitled to contractural rights. The Constitution of the United States does not contemplate in any manner the idea of placing in the hands of any one man dictatorial powers such as it is proposed to confer upon the Postmaster General in Senate bill 7371.

I am, yours, truly,

JOHN P. RAMSEY,
*Chief Executive Officer.*

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CHICAGO, TERRE HAUTE & SOUTHEASTERN RAILWAY CO.,
*Chicago, October 25, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: In reply to your letter of September 11, inclosing a copy of Senate bill 7371: Without giving a detailed discussion of the bill, I shall merely point out to your committee that the proposed plan of this bill applied to all business in this country would wreck the Nation; or applied to any single enterprise—industrial or railway—would destroy that.

I have seen a copy of a letter addressed to you by the committee on railway mail pay, dated October 3, and I am in full accord with the position of the committee therein taken.

Yours, very truly,

M. J. CARPENTER, *President.*

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COAL & COKE RAILWAY CO.,
*Elkins, W. Va., September 19, 1912.*

Hon. JONATHAN BOURNE, Jr., *Chairman,*
*Washington, D. C.*

DEAR SIR: Your favor of the 11th instant is received. I am not in a position just at present to reply fully to your inquiries. I have spent considerable time during the last two years on this subject and I believe the present plan of compensation for railway mail services is entirely unfair to the railroads, and especially so to the smaller roads, such as this one.

I believe the underlying principle of the plan embodied in Senate bill 7371, copy of which you inclose, is also unfair. I am unable at this time, however, to prepare a condensed statement of my reasons and of my suggestions as to what would be fair, but will be very glad to furnish a statement of this sort as soon as we can have the necessary information prepared.

Unfortunately this road suffered heavily in the recent floods, and we are at present necessarily spending all our energy to repairing the damage.

Very respectfully,

A. M. SMITH, *General Manager.*

CROSBYTON-SOUTHPLAINS RAILROAD CO.,
*Crosbyton, Tex., September 24, 1912.*

Hon. JONATHAN BOURNE,
*Washington, D. C.*

DEAR SIR: Replying to your circular letter of the 11th instant, with which was inclosed Senate bill 7371.

Replying to your first question, I can see no method of fixing compensation for postal service on this line which would be more equitable than the one now in use.

To the second question, while it may be possible that the principle of plan embodied in the bill is correct, I do not feel that 6 per cent added to the actual cost of handling the mail is a sufficient remuneration for this class of mail, considering the fact that it requires the highest class of service which we are capable of giving and we are subject to heavy fines for any failure to perform our duty fully and promptly. On a line such as this, with but a single daily train service—handling freight, passengers, mail and express on one train—it would be almost impossible to separate the cost of handling mail from the other classes of service rendered, and the only way which would occur to me to do this would be to fix an arbitrary percentage, which might be correct and would more likely be incorrect.

To the third question, I can see no more just plan for fixing compensation than on a pound basis coupled with car-foot basis.

Yours, very truly,

A. B. SPENCER,
*Assistant General Manager.*

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CUMBERLAND VALLEY RAILROAD CO.,
*Chambersburg, Pa., October 24, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: Your circular letter of September 11 was duly received, and I thank you for the opportunity of explaining the deficiency in the amount allowed by law to the Cumberland Valley Railroad Co. for carrying the mails and for the expensive facilities needed by the Post Office Department in connection therewith.

The questions you ask as to the effect of the present plan of compensation on railroads generally and the effect of proposed laws such as Senate bill No. 7371 can best be answered by those who have made a general study of the subject. I have read a copy of the response to you from the committee on railway-mail pay, representing 268 railroads, and it seems to be a fair and adequate summary of the defects and the suitable remedies.

On behalf of the Cumberland Valley Railroad I request your particular attention to the urgent necessity for a provision of law to pay for mail apartments on some basis that will compensate for their service. The railroads get no pay at all for these mail apartments 30 feet or less in length, although these traveling post offices perform the same function as full railway post offices and are not at all needed by the railroad company in transporting the mail; also for a provision of law to pay for side and terminal messenger service at its fair value to the Post Office Department. It is further of great importance that a definite arrangement be made, so that when a railroad company considers itself underpaid or subjected to unduly onerous conditions an appeal from the decision of the Postmaster General may be heard by some neutral authority with power to determine finally the justice of the case.

I believe that the United States Supreme Court has held that the railroads (other than land-grant roads) are not obliged to carry the mails, and it is therefore assumed by many that the railroads are free agents, and if they continue to carry the mails it must be because they consider the rates of pay remunerative regardless of their protestations. If they have the theoretical right of refusing the mail service, they can not exercise the right without ignoring the fact that the communities dependent upon them must have communication by letters, etc., and as the law gives the monopoly of first-class mail to the Post Office Department a refusal by the railroad to accept mail service would cause very great inconvenience and loss to the people. Hence Congress should protect the railroad companies in the performance of this public duty by guaranteeing a fair return both by a positive enactment prescribing adequate and definite rates and

also by providing for some arbitral tribunal for adjusting differences between the Post Office Department and the railroad company.

In the test of November, 1909 (H. Doc. No. 105), the Postmaster General found that the mail pay for the Cumberland Valley Railroad fell short by 23 per cent of covering the operating cost and taxes chargeable to the mail service. Our own calculation at that time showed a shortage of about 35 per cent, and we still believe that our own computation was more correct than that of the Post Office Department. The deficiency in either case is really much greater, because both calculations contain no allowance for fixed charges.

The annual pay of the company for all the mail service covering 160 miles of railroad and including double daily, and in one part triple daily, mail apartment service occupying 25 or 30 feet of the car, is only a little over $21,000. To obtain a fair return, including 6 per cent dividend, it can readily be estimated that the amount should be at least $37,000 per annum, or an increase of $16,000, or about 80 per cent.

This would require an allowance for a daily round trip of a mail apartment car (in addition to the pay for weight of mail carried) on about the following scale:

| | Per mile per annum. |
|---|---|
| 30-foot apartment | $63.50 |
| 25-foot apartment | 53.00 |
| 20-foot apartment | 42.50 |

It is trusted that your committee will succeed in securing legislation to correct this long-standing injustice.

Very truly, yours,

M. C. KENNEDY,
*Vice President and General Superintendent.*

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DEERING SOUTHWESTERN RAILWAY,
*Chicago, September 26, 1912.*

HON. JONATHAN BOURNE,
*Washington, D. C.*

DEAR SIR: I have your very courteous letter of the 11th instant, together with copy of Senate bill 7371.

The service this railway now performs in handling United States mail simply in sack form, without any collection or distribution, warrants me in saying we are reasonably well satisfied with our present compensation. This, however, refers only to this railway. We do not believe the plan proposed by the bill would be a reasonable compensation of the service an ordinary mail-carrying railroad would perform, and should this company at any time undertake the collection and distribution of mail between stations on its various lines—that is, the handling of individual pieces of mail—we should certainly find this bill an additional expense against our operation rather than a matter of income.

This writer also has particularly in mind the prospect of handling mail under the parcel-post act, and unless some special provision is made for the parcel post—some special compensation—this company would certainly strenuously object to the basis of compensation proposed in Senate bill No. 7371.

Answering your direct questions:

1. The present plan of compensation seems to this writer to be reasonably equitable, and in making this reply he has reference particularly to mail handled by this company under the plan now in vogue.

2. The underlying principle in the plan embodied in Senate bill 7371 is not a proper basis for compensation, because it would not begin to compensate a railroad for the service performed. No railroad can afford to handle its traffic for the actual cost of the service plus 6 per cent, because of the underlying obligations in the shape of securities that must be met, as well as taxes etc.

3. This writer lacks sufficient familiarity with the whole mail-carrying problem as practiced on the trunk lines to give any information of value. It is his belief, however, that the United States Mail Department should compensate the railroads for the service they perform in a liberal manner, so the service may be extended and of the very best character. Much complaint is being heard in this city and in some other places regarding the inadequate mail facilities. What causes this the writer does not know, but statements are made in the daily press not infrequently that mail is delayed in transit, is delayed in delivery after arrival in Chicago, and certainly a complete study

of the whole problem should be made by your honorable committee into its minutest details before passing an act regulating this matter.

Regret I am not able to advise you more fully. Believe me,

Very truly, yours,

F. B. MONTGOMERY,
*President and General Manager.*

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DELAWARE, LACKAWANNA & WESTERN RAILROAD CO.,
*New York, October 31, 1912.*

Hon. JONATHAN BOURNE, Jr.
*Washington, D. C.*

MY DEAR SIR: Your letter of September 11 to our secretary, Mr. A. D. Chambers, with accompanying copy of Senate bill No. 7371, being a bill to provide the manner of determining the compensation of railroads for the transportation of the mails, and the several questions you submit, have had careful consideration at the hands of our people.

Answering your several inquiries in the order in which they are made, I beg, in behalf of this company, to submit the following:

(1) The present plan of compensating the railroads for the transportation of United States mails, broadly speaking, is as fair and equitable a one for the railroads generally as could probably be devised. From the Government's standpoint it certainly never has been inequitable, while, on the contrary, so far as the railroads are concerned in the administration of it, much injustice has almost continuously been done ever since it was adopted.

In the first place, the infrequent weighing of mails, whereby this is done every four years, has unquestionably resulted in the railroads carrying, during each period of four years, somewhere between 5 and 10 per cent in weight of the total mails carried without any compensation whatever. Again, the railroads have been required to perform services between stations and post offices, also terminals, in the way of delivery of mails, at a considerable expense, for which they have never been paid. Still again, the horizontal reduction in pay made by the act of Congress on March 2, 1907, followed by Order No. 412 of the Postmaster General changing the divisor, has worked serious injustice and loss to the railroad companies.

Furthermore, under the regulations of the Post Office Department the railroads are required to handle mails on all trains, and there are innumerable instances where this service has been ordered on trains, the nature of same requiring a full extra car to be hauled by these trains in order to provide the space required by the Post Office Department for a comparatively small amount of mail. The railways are also required to furnish, free of rent, at nearly all important terminal points, space for the storage and handling of mails, and heating and lighting of the space furnished, as also other accommodations for postal employees which cost them in the aggregate large sums of money to provide and maintain.

The recent reductions in compensation for carrying mails referred to above have been made in the face of large increases in the cost of almost every item entering into the expense of railway maintenance and operation. Railway companies, furthermore, are continually assessed with fines for failure to deliver mails on the scheduled time of trains, although the delays in many cases are due to causes wholly beyond the control of the company or its officers.

(2) The plan embodied in Senate bill No. 7371 for compensating the railroads for transportation of United States mails is not a proper and just basis for such compensation, and if made effective by law will work gross wrong and injustice to the railroads of the country. The proposition to place solely in the hands of the Postmaster General of the United States the question of determining what the railroads should receive for performing this important service, coupled with the provision in the bill fixing the method to be pursued by that official in determining the amount of compensation to be paid, is, as we believe, without precedent in this country and amounts to the Government taking from the railway companies their property, or the use of their property, for the public benefit, without due compensation. The operating cost of performing the service, arrived at as prescribed by the bill, together with the taxes plus 6 per cent for profit, would not by any means justly reimburse the railways for the serv-

ice performed for the Post Office Department in the manner that department requires it done through its various administrative orders. It is wholly without precedent in this country, we believe, and entirely wrong in prnciple, that a department of the United States Government should be given the power contemplated in this bill to use the facilities of the railroads of the country for its purposes on terms fixed by the officials in that department, the interest of such officials being palpably to make the best showing they can for their department regardless of the effect upon the railways of the country, upon which it must so entirely depend to perform the postal service for the public.

The interests of the railways in this matter will not be properly safeguarded by a provision that an appeal from the Postmaster General may be taken to the Interstate Commerce Commission. Not only is that commission now so unduly burdened by the duties imposed upon it by existing laws, as respects the regulation of railway rates and practices, that it can not possibly assume the additional work and responsibilities incident to fixing a just compensation for the transportation of United States mails, but its position is and always has been, since its original appointment, that its duty is to watch over and protect the interests of the public, and not the railroads, in all matters affecting rates and rules governing the transportation of passengers and freight.

(3) It does not seem to us that any better or more equitable plan for compensating the railroad companies for the transportation of United States mails can be adopted than the existing one, which has been in effect for many years and with the operation of which all concerned, both the postal authorities and the railways, are more or less familiar. We believe it might be amended in the manner hereinbefore suggested, which would result in the elimination of some inequities which now exist and whch should, in all fairness to the railroads, result in a more impartial adminstration of the law by the postal authorities than has been prevalent heretofore.

Trusting what I have stated herein may, in some measure at least, commend itself to your careful consideration, I beg to remain,

Very truly, yours,

W. H. LINSDALE,
*President.*

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DENVER & RIO GRANDE RAILROAD CO.,
*New York, September 13, 1912.*

Hon. JONATHAN BOURNE, Jr., *Chairman,*
*Washington, D. C.*

MY DEAR SIR: Your letter of the 11th instant and copy of Senate bill 7371, introduced by you on behalf of the Senate Committee on Post Offices and Post Roads, came this morning, and both have been referred to the operating staff in San Francisco—Mr. C. M. Levey, second vice president and general manager, and Mr. Warren Olney, jr., the general attorney. Western Pacific has been favored thus far with but very little United States mail.

Yours, sincerely,

E. T. JEFFERY.

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DENVER, BOULDER & WESTERN RAILROAD CO.,
*Boulder, Colo., September 19, 1912.*

Hon. JONATHAN BOURNE, Jr., *Chairman,*
*Washington, D. C.*

DEAR SIR: Your esteemed favor of the 11th instant with inclosure as stated is received.

As applied to this company the present plan of compensation for transportation of the United States mails, which provides for a minimum rate of $42.75 per mile per annum, is regarded as equitable, except that it is believed that in addition to the compensation now received the Government should remunerate the railroad company for the space devoted to the use of the mails in combination passenger, mail, baggage, and express cars, such compensation to be pro rata to the amount allowed for cars 40 feet in length used exclusively for the handling of the mails, as provided under section 1176 of information relative to transportation of mails by railroads issued by the Second Assistant Postmaster General.

Respectfully,

W. B. HAYES, *President.*

EAST BROAD TOP RAILROAD & COAL CO.,
*Orbisonia, Pa., September 16, 1912.*

Hon. JONATHAN BOURNE, Jr., *Chairman,*
*Washington, D. C.*

DEAR SIR: Your circular letter of September 11, regarding Senate bill 7371. I beg to submit the following answer to your questions:

1. The present plan of mail compensation so far as it relates to service performed by this company is equitable.

2. So far as short lines are concerned, operating under conditions similar to ours, the underlying principle of plan embodied in Senate bill 7371 is not equitable. It leaves railroads practically at the mercy of the Post Office Department. The department is privileged to demand whatever service and equipment it wants and pays whatever it pleases in the way of compensation.

No short line can afford to antagonize the department, and to combat their decisions may cost several years' earnings.

The idea of not allowing a railroad to judge whether they can afford to handle mail for compensation allowed can not be considered equitable.

The authority given the department to order mail-car service, particularly on short lines, may mean more of an outlay for equipment than revenue would amount to in five or six years, to say nothing of the expense of maintenance and continual transportation of a car that may not be needed.

3. This question is virtually answered by No. 1. Present plan is apparently all right for short lines, particularly when no mail-car service is required. The pouch system, which is the one in vogue here, gives satisfaction. Post offices have two mails from each direction every day and compensation is based on weight of mail handled.

Yours, truly,

EDWARD C. HALL,
*General Manager.*

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FARMERS' GRAIN & SHIPPING CO.,
(DEVILS LAKE & NORTHERN R. R.),
*Devils Lake, N. Dak., September 18, 1912.*

DEAR SENATOR: This will acknowledge receipt of yours of the 11th inclosing copy of Senate bill 7371, and in reply to question No. 1 would say that I do not consider the present plan of compensation for carrying the mails as an equitable one as between the Government and short railroads, such as ours, which is but 66 miles long, mainly for the reason that we do not obtain sufficient compensation under this plan.

In answer to your second question, I object to the principle of your bill for the reason that I can not understand why Government service should be performed at actual cost any more than any other service, and furthermore for the reason that under the proposed payments for postal service established under this bill we would not get enough revenue to pay the cost of maintenance of the postal car aside from the cost of train service and the delivery of the mails.

I have before me a statement from the Post Office Department of the compensation we are to receive under this bill, and it shows that we are now receiving 70 per cent more than we would under your bill; at least this is the way the department has figured it. We are now receiving about $10 per trip for supplying, maintaining, and hauling compartment car for a distance of 132 miles, delivering and receiving the mails at 10 different stations, where we have to pay our agents extra for this service, besides the wear and tear on the car, which has to be renewed every few years. From this you will see for yourself that if our compensation is reduced 70 per cent that the Government is forcing us to do something for next to nothing. As it is now we are performing the service at 40 per cent below cost, regardless of the department's figures, and we are doing so for the reason that we wish to accommodate our patrons and not for any profit in the business. Therefore I would seriously object to the last clause, on page 9 of the bill, which penalizes a railroad for refusing to carry the mails for such compensation, for I assure you we would positively refuse to carry this mail for any such compensation, and the Government would find it would cost them $100 per trip when carried by team for the service we are now doing for $10.

In reply to your third question I would say that the proper method of compensation for such railroads as ours would be for the Government to pay for the space occupied by the postal section of a car or a full postal car at the same

average rate of earnings as if occupied by express or passengers, and I fail to see why the Government should have a cheaper rate than anyone else. Under this method we would receive about 40 per cent more than we are now getting, which in our case would about pay the expenses of carrying the mails.

Very truly, yours,

JOS. M. KELLY, *President.*

Senator JONATHAN BOURNE,
*Washington, D. C.*

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FORT SMITH & WESTERN RAILROAD CO.,
ST. LOUIS, EL RENO & WESTERN RAILWAY CO.,
*Fort Smith, Ark., September 17, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: In response to your favor of September 11 regarding Senate bill No. 7371, beg to advise that the reply of Mr. W. E. Crane, our vice president, will include the views of this office regarding the subject.

Assuring you that the inquiry is highly appreciated, I remain, etc.,

Yours, very truly,

W. M. BUSHNELL, *General Manager.*

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FORT SMITH & WESTERN RAILROAD CO.,
ST. LOUIS, EL RENO & WESTERN RAILWAY CO.,
*St. Louis, Mo., September 18, 1912.*

Mr. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: With reference to your letter of September 11, inclosing bill S. 7371, I inclose herewith a copy of a letter received from Mr. W. M. Bushnell, our general manager, which will give you the views of the Fort Smith & Western Railroad Co. on this question. I trust that it may have your committee's serious consideration.

Yours, very truly,

W. E. CRANE,
*Vice President.*

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FORT SMITH & WESTERN RAILROAD CO.,
ST. LOUIS, EL RENO & WESTERN RAILWAY CO.,
*Fort Smith, Ark., September 17, 1912.*

Mr. W. E. CRANE, *Vice President,*
*St. Louis, Mo.*

DEAR SIR: In response to your favor of September 14 regarding Senate bill 7371.

I beg to submit the following in reply to Mr. Jonathan Bourne, jr., inquiries 1, 2, and 3.

(1) I do not consider the present plan of compensation equitable, for the reason that the basis is an arbitrary one having no relation whatever to the cost of handling the business or of allowing the carrier a reasonable profit; or, in other words, a reasonable rate of interest on that proportion of the investment which we consider necessary in performing the service.

(2) The underlying principle embodied in Senate bill 7371 is defective, for the reason it proposes that the profit for handling the mails shall be 6 per cent of the cost of such service.

This railroad has an investment of over $6,000,000, and it costs in round numbers $600,000 per year to operate it. If the courts were to hold that a reasonable return on the investment was 6 per cent of the cost of operation, its maximum net earnings will then be about $36,000 per annum, equivalent to a fraction over 1 per cent on the total investment.

(3) I believe the railroads desire a plan that will cover the cost of handling the mails plus a reasonable rate of interest on such part of the railroad as may be said is required to move the traffic.

In a letter written some time ago I reasoned that $750 per mile was in our case a fair value upon which to base at 6 per cent our profit for carrying the mails. This valuation equals less than 2½ per cent of the investment and was

arrived at by assuming that cost of operation was the proper basis for apportioning the cost of the railroad for rate-making purposes on passenger traffic, then subdivided the expense of handling passenger traffic between passenger, mail, and express upon a car-foot basis.

I am aware of the difficulty involved in reaching a satisfactory solution of this question, but I feel that the railroad as it stands to-day is just as necessary in its entirety for handling the United States mails as it is for any other class of traffic, and feel that the formula for apportioning the investment is fair.

I do not believe that the Government or any one, in fact, can with an investment of $750 per mile provide as satisfactory facilities as we do for collecting and distributing the mail over this line.

As to House Document No. 105, there is very little criticism to offer, except with respect to that part of the Postmaster General's recommendation that the railroad's profit be based upon 6 per cent of the cost of operation. This proposition is wrong from every point of view and should be rejected by the railroads. What the roads should contend for is a return upon their investment.

Generally speaking, we agree with the formula adopted by the Postmaster General in ascertaining cost of handling the mails. In our particular instance the Postmaster General's figures show that during the month of November, 1909, the Fort Smith & Western handled the mails at a loss of $177. Had the test been made in May or June of the same year, with the same formula, it would have shown a very much greater loss, and this loss did not include any margin above the actual cost of handling the business.

I believe if Congress would go into the matter thoroughly that a method could be found which will more nearly do justice to this road than the one in vogue at present.

Yours, truly,

W. M. BUSHNELL,
*General Manager.*

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GALVESTON, HOUSTON & HENDERSON RAILROAD CO.,
*New York, September 16, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I have received your letter of the 11th instant in the matter of the compensation to be paid to railway companies for transportation of the mails. It will give me pleasure to reply to your inquiry a little later.

Yours, truly,

J. N. WALLACE, *President.*

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HOOSAC TUNNEL & WILMINGTON RAILROAD CO.,
*Malone, N. Y., September 30, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

SIR: Yours of the 11th, inclosing copy of Senate bill 7371, relative to compensation to railroads for carrying the mails, and asking my answer to three questions therein propounded, is received.

First. To the first question I answer no. It is not fair to short-line railroads, whose compensation under the existing methods is wholly inadequate, arbitrary, and inequitable.

Second. To the second question I answer no. It attempts to confer on the Postmaster General the power to determine the compensation for the performance of a service by a company, where his interest is, by virtue of his office, to be exerted in behalf of the Government, and he is interested, and should be, in maintaining as low a cost of transportation as he can. It is like proposing that one party to a contract shall have power to dictate its terms and then fining the other party if he does not comply with them. It is against all moral sense of justice and equity, and the method of appeal to the Interstate Commerce Commission is not only likewise partial but burdensome and expensive, especially to short-line railroads, that can not afford to keep a corps of lawyers, engineers, statisticians, etc., to appear before the commission; and the commission's employees are partial and have no responsibility except to the Government, and can not know the different conditions that affect different railroads on the subject of cost, and have no interest for the railroad companies.

Your steel-car clauses may be well enough for trunk lines, but there are hundreds of short-line railroads that can not afford or operate steel cars. The bill attempts to confer too drastic and sweeping powers on the Postmaster General, and its constitutionality may well be questioned. In fact, the whole bill seems to be inequitable, drastic, and socialistic.

Third. To the third question I answer: There is no reason why the Government should not pay railroad companies the same price individuals pay for like service. A railroad company, being acquainted with its expenses of operation, can determine at what price per hundred pounds it will transport the mails, furnish cars, etc., and if the Postmaster General is not content with them, then let him do as any other shipper may—appeal to the commission, State or national, from whose decision an appeal to court should be allowed. Such a method would be more equitable and make it usually a matter of contract, as it should be. We must assume the office of Postmaster General will look after the interests of the Government and the railroad company will look after its own interest, and from that a more equitable situation will result than through the drastic and socialistic methods proposed by this bill.

Hoping I have fully answered your inquiry, I am,

Very truly, yours,

J. P. KELLAS.

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IDAHO SOUTHERN RAILROAD CO.,
MILNER, *Idaho, November 2, 1912.*

JONATHAN BOURNE, Esq.,
*Washington, D. C.*

SIR: Replying to yours of September 11, relative above numbered bill, in reply to question 1, would say that I consider the present plan is equitable between this company and the Government. I have no figures as to other classes of railroads, and am, therefore, not competent to offer any opinion. Question 2: I consider the underlying principle of the plan embodied in the above bill the proper basis for compensation, so far as this company is concerned, but I believe that whenever additional service is asked for compensation should be allowed for same. Question 3: I know of no more desirable plan than the one proposed, with the exception as noted in reply to question 2.

Yours, truly,

D. C. MACWATTERS,
*Vice President and General Manager.*

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KAHULUI RAILROAD CO.,
*Kahului, Hawaii, October 15, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Your letter to Mr. Joseph P. Cooke, treasurer of the Kahului Railroad Co., dated September 11, 1912, has been handed us for acknowledgment.

We have given careful attention to the copy of Senate bill 7371 introduced by you, and embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for the transportation of the mails, and in reply to your questions would say that while we have no complaint to make as to the present plan of compensation which this railroad receives from the Government, we do think that the underlying principle of the plan embodied in the proposed bill is a proper basis for compensation.

Yours, very truly,

KAHULUI RAILROAD COMPANY,
J. N. S. WILLIAMS, *Superintendent.*

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KANSAS SOUTHWESTERN RAILWAY CO.,
*Arkansas City, Kans., September 21, 1912.*

Hon. JONATHAN BOURNE, Jr., *Chairman,*
*Washington, D. C.*

DEAR SIR: Your letter of the 11th inclosing copy of Senate bill 7371, and asking for expression of opinion to three questions.

It has been some time since I was familiar with the details of this subject, and in order that I may reply intelligently, it will be necessary to go over previous reports and House House docket No. 105 before making reply.

If after doing so I feel that I can give you any information, will gladly write you in reply to your interrogations.

Yours, truly,

E. L. KINGSBURY.

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KEWEENAW CENTRAL RAILROAD CO.,
*Duluth, Minn., October 17, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: I beg to acknowledge receipt of your circular letter of the 11th ultimo, inclosing a copy of Senate bill No. 7371, as therein stated. I have carefully considered the proposed bill embodying the plan recommended by the Post Office Department for determining the compensation to be paid to railway companies for transportation of the mails, and, complying with your request, beg leave to answer the questions of your letter as follows:

1. I do not consider the present plan of compensation altogether an equitable one as between the Government and the railroads. It is my understanding that the railroads are now unduly burdened with heavy expense in building and equipping mail cars required to meet the increasing demands and exacting conditions imposed by the Post Office Department for safety, etc., and the comfort and convenience of messengers, and that in consequence the railroads' expenses incident to the mail service are increasing out of all proportion to the revenues earned.

Also, under the present plan the minimum compensation allowed is too small for newly constructed lines struggling for existence in sparsely settled districts or in territory that is not largely enough populated to bring the mail weights above the minimum.

2. The principle embodied in the proposed bill is not a proper basis for compensation, for the reason, among others, that it is absolutely impossible to determine the cost of transportation of any particular class of freight or people. The plan adopted by the Postmaster General and recommended in said bill for arriving at the cost to the railroads of handling the mails would produce an illogical and distorted result. It is impossible to determine with any degree of accuracy the actual cost of the particular service, and the same plan here proposed applied to all the business of the railroads would, in my judgment, promptly reduce them to bankruptcy.

3. While the present plan of compensation may now be more nearly equitable to the large lines, it will not be equitable even to them in the near future when steel equipment throughout is demanded by the Post Office Department. Considering, among other things, the efficiency of the service required by the Government and the public, and now furnished by the railroads, the rates of payment should be increased and not reduced, and the minimum should be considerably increased.

4. Since the 1st instant the Keweenaw Central Railroad Co. has been carrying 14 pouches a day, and is only receiving for transporting the mails $1,192.02 per annum. If the proposed bill should become the law, and assuming that we were allowed the minimum compensation provided thereby of $25 per mile for the length of our line from Calumet, Mich., to Mandan, Mich. (28.1 miles), we would only receive for this service $702.50 per annum. This company is now operating passenger trains at a loss for the convenience of the few residents of Keweenaw and to enable them to receive regular mail service. Further reductions in the compensation as contemplated by this bill would undoubtedly make it necessary for this company to abandon its passenger service.

5. I desire to protest earnestly against the enactment of any such legislation as proposed, on the grounds that it will be impossible to ascertain the cost of the service as proposed; that the railroads will not be able to carry the mails under it except at a loss; that such a law will materially handicap new roads and the smaller lines like ours, and especially those serving sparsely populated districts; and, in general, that the necessary effect of any such legislation will be to impair the present efficiency and high standards of the entire Railway Mail Service of the country and be greatly detrimental to the public and all concerned.

Respectfully,

T. F. COLE, *President.*

KUSHEQUA ROUTE,
MOUNT JEWETT, KINZUA & RITERVILLE RAILROAD,
KUSHEQUA RAILROAD, MEAD RUN RAILROAD, SMETHPORT RAILROAD,
*Kushequa, Pa., September 23, 1912.*

HON. JONATHAN BOURNE, JR.,
*United States Senate, Washington, D. C.*

DEAR SIR: Thanking you for your favor of the 11th instant, inclosing copy of Senate bill 7371, I have examined same and wish to reply to your three questions as follows:

1. I do not consider the present plan of compensation an equitable one. It is inequitable in that it practically compensates as liberally those railroads which, passing through thickly settled regions, have abundant earnings and frequent profitable passenger trains, so that they are put to very little expense for transportation of mails; and those railroads which, passing through sparsely settled regions, perform passenger and mail service at a loss to themselves, but as necessary to the existence of the communities along their lines. It is unfair to require free delivery by the railroad companies to terminal post offices regardless of distance. In our case, the delivery from our terminal stations to terminal post offices costs us nearly half as much as the total amount we receive for carrying the mails.

2. The underlying principles which I observe in the proposed bill, i. e., ascertainment of costs by Postmaster General with appeal to the Interstate Commerce Commission and more frequent adjustment of the rate of compensation would be a desirable improvement. The principle of the bill is defective in that it does not indicate the bases upon which the Postmaster General shall compute cost. It is also defective in not providing for compensation for carrying of pouched mails. In the case of our road, for instance, all mails are carried in mail pouches in the baggage compartment of our combination coach, there being no separate car or portion of car devoted exclusively to mail service. I am pleased with that feature of the bill which takes the frequency of train service into consideration. I think that it is a mistake to make so low a minimum rate of compensation as "not exceeding $25 per mile." In the case of short lines of road this would be a great hardship.

3. A desirable plan for compensating for transporting the mails would be power on the part of the Postmaster General, subject to appeal to Interstate Commerce Commission, and in accordance with well defined rules, to ascertain both the cost and the value of the service rendered and base compensation accordingly. Among the rules for the guidance of the Postmaster General one should take into consideration the loss or profit of the train service on which the mails were carried; another, the length of line and cost of delivery of mails at stations and termini; another the relation between the net weight of mail matter transported and the gross weight inclusive of pouches and cars or parts of cars transported for the purpose of carrying the mails. This latter would form a very practicable method of increasing the compensation in accordance with the needs of railroads passing through sparsely settled districts and yet endeavoring to give good service; for in such cases mails might consist of a few letters only to the pouch and many pouches, or of a mail car or mail compartment in a car transported through a long stretch of country which provided very little mail matter. Between large cities, where there is much mail to be transported, the passenger traffic in the trains is apt to be profitable, so that the compensation for carrying the mails is practically surplus profit. And between such cities there is usually one or more competing lines, any one of which could transport practically all the mail at a competing rate if allowed to bid for it. There is a case on our road where the contents of one mail pouch does not average more than one letter per day, and yet the prompt transportation of that one letter is almost vital to the success of the industries on which the busiest community on the line of railroad depends. The letter in question transports the day's remittances to bank and arrangements with that bank to provide for the day's requirements.

I realize that you are a very busy man; but have endeavored to reply as intelligently as possible to the questions in your letter.

Yours, respectfully,

ELISHA K. KANE, *President.*

LAKE SUPERIOR & ISHPEMING RAILWAY CO.,
MUNISING, MARQUETTE & SOUTHEASTERN RAILWAY CO.,
*Marquette, Mich., October 12, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Replying to yours of September 11 relative to Senate bill 7371, introduced by you by direction of the Senate Committee on Post Offices and Post Roads, I have to say that we have been furnished with a copy of the reply forwarded by the committee on railway mail pay and we fully indorse the position taken by that committee.

We believe that the short railroad should receive more than ordinary consideration on account of running through a sparsely settled country where the mail carried per mile is much lower than the average and the present rate of remuneration is not too high.

Up to July 1, 1911, the Marquette & Southeastern Railway and the Munising Railway were two separate corporations, but were consolidated under the name of the Munising, Marquette & Southeastern on the above date.

Document No. 105 shows the following results:

| | |
|---|---|
| Marquette & Southeastern, gain in mail revenue for one month | $134.01 |
| Munising Railway, loss in mail revenue for one month | 124.87 |
| Net gain, Munising, Marquette & Southeastern Ry | 9.14 |

And this compilation does not take into account the investment in one extra compartment car which we must keep in reserve for emergencies.

As the reply forwarded by the committee on railway mail pay goes into all matters in general, I will not touch on any of the details of a short-line railroad except as above stated, that due consideration should be given to that service as being different from service performed by other railroads.

Yours, truly,

H. R. HARRIS, *General Manager.*

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LANCASTER & CHESTER RAILWAY CO.,
*Lancaster, S. C., October 2, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Replying to your letter of the 11th I am inclosing you a letter that I recently wrote to the Assistant Postmaster General, at Washington, regarding the compensation allowed the Lancaster & Chester Railroad Co. for hauling mail and mail car. This will fully explain our position. I contend that it is not fair to put short-line railroads on the weighing basis owing to the fact that they are generally run from one important town to another, and when main lines of railroad are running through both of these towns they only get to haul local mail, getting no through mail, while they have to perform all the services required by the Government. The compensation allowed short lines is arbitrary, unjust, and unfair. In my opinion the compensation should be allowed on a basis of the service rendered irrespective of the amount hauled, except on main lines.

This rule applies as regards rural mail carriers and I can see no reason why short-line railroads should be arbitrarily required to render the service on a basis that is not remunerative. Thanking you for your inquiry, I am,

Yours, very truly,

LEROY SPRINGS, *President*

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SEPTEMBER 13, 1912.

Hon. JOSEPH STEWART,
*Second Assistant Postmaster General, Washington, D. C.*

DEAR SIR: Effective July 1 you changed your method of determining compensation for the handling of mail by the Lancaster & Chester Railway Co., which operates between this point and Chester, S. C., and of which I am president. This cuts our remuneration down to about $1,000. It is necessary that we furnish a mail car to conform to your rules and regulations and also give free transportation to your mail clerk, and the amount you now propose to pay us

not only does not allow any rent for the car we supply but pays us scarcely 2 cents a mile for hauling your clerk. I do not think the Government ought to expect a short-line railroad to perform this service without fair remuneration, and I do not believe you realize the imposition on our railroad under the circumstances.

Do you realize that you are requiring us to give you regulation service on trains twice each day between here and Chester for a sum less than you pay one of your rural carriers per annum? I do not question that the expense entailed in transporting mail between Lancaster & Chester nets the Government a loss, but the service has to be performed just as in the case of unprofitable R. F. D. routes, but in your case you have other lines which are profitable and which counterbalance this loss. In our case our only source of revenue from the Government is in handling this mail, and just because the line is not profitable to the Government is no reason to my mind why you should ask it to be unprofitable to us.

If the service were performed by rural carriers it would be at an expense three or four times as great as at present and the service would be from three to five hours later. If we transported through mail between these two points our income would be considerable and enough to pay us for the facilities we supply, but in view of the fact that the trunk lines reach both Chester and Lancaster ahead of our line the only through mail we handle is for intermediate points, which is of little consequence.

Under the ruling of the United States Supreme Court we understand it is optional whether we perform this service or not, and unless you can arrange to give us a fair income for the service we are perfoming we must in fairness to ourselves decline to continue handling mail. We therefore respectfully serve notice on you now that from this date until a satisfactory adjustment of this subject is reached we handle all mail of the Lancaster & Chester Railway Co. under protest. It is not the fault of this road that the mail is not of greater volume, and the service we render is just the same as if it were ten times as great, and we could handle ten times as great volume at absolutely no additional expense over our present cost.

I trust you understand the spirit in which I have placed this subject before you. We have no desire to be in the least arbitrary, but it is simply an injustice to our railroad that we should have to perform a service at a loss which should show a fair income for the trouble and expense we are put to. Our Congressman, Mr. D. E. Finley, who is a member of the Post Office Committee, is familiar with the situation, and if you wish further information upon the subject I suggest that you take it up with him.

We trust you will handle this with promptness, so that we may have it satisfactorily adjusted at no distant date.

Yours, very truly,

LEROY SPRINGS, *President.*

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LEAVENWORTH & TOPEKA RAILWAY CO.,
*Emporia, Kans., October 22, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Yours of September 11, inclosing copy of Senate bill 7371.

As the Leavenworth & Topeka Railway Co. is being operated by the Atchison, Topeka & Santa Fe Railroad Co. I take it that Vice President George T. Nicholson's letter of October 17 to you on the subject will give you the information called for in your letter of September 11.

Yours, truly,

C. T. MCLELLAN, *President.*

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LORAMA RAILROAD CO.,
*Pennsboro, W. Va., September 14, 1912.*

Hon. JONATHAN BOURNE,
*Washington, D. C.*

MY DEAR SIR: I beg to acknowledge receipt of copy of your Senate bill 7371, which you were so kind to send me.

To be frank with you, I must say that I would be very sorry to see this bill become a law. It would work a great hardship on all small roads to compel them to perform a task at a loss of money. This being in violation of the spirit of the Constitution the courts would relieve, but the expense of defense would work loss anyway.

We have operated 9 miles of narrow-guage road for years over which the United States mail is carried for a very significant sum, if one did not care what he said. We carry it for $40.28 per month. We pay $5 per month for delivery to post office, which leaves us $35.28 per month, to say nothing of the fines and reductions. In the last three years we have extended this road 5 miles to town of Pullman, and we refused to carry the mail over this part of road because of the poor pay. The Government offered us $20.83 per month and we would have to pay $15 per month to make delivery from depot to post office, which would leave $5.83. We refused and did and do not carry over this part of road. We would get, if we carried mail, clear $41.11 per month for carrying mail four times a day 14 miles, while a rural carrier gets $75 per month for carrying once a day on a mule.

The small roads should be excepted from your bill. I believe you will, because in your effort to benefit the Nation you would not confiscate any citizen's property. Would you?

Truly, yours,

M. K. DUTY,
*President Lorama Railroad Co.*

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LOUISVILLE & NASHVILLE RAILROAD CO.,
*Louisville, Ky., December 30, 1912.*

HON. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: Your favor of September 11, 1912, relative to the compensation to be paid to railroad companies for transportation of the mails, in which you made certain inquiries in regard to the present plan and the plan recommended by the Post Office Department, was duly received.

Inasmuch as the committee on railway mail pay, representing 214,275 miles of railway in the United States, operated by 268 companies, prepared and submitted a comprehensive statement containing facts and figures going to show that the present compensation does not equal the operating expenses incident to the transportation of the mails, and, therefore, leaves nothing for return upon the value of the property employed, I concluded that it would be best to subscribe to the statements of the committee and not inflict a lengthy independent argument upon you.

I heartily indorse the statement of the committee as set forth in the pamphlet entitled, "Mail Carrying Railways Underpaid," believing it to be an absolutely accurate presentation of the fact that the present system is grossly unfair to the railroads.

It has occurred to me, however, that you might be interested in the facts and figures concerning specific cases on this company's lines where the existing laws or the Post Office Department's methods of applying them result in inequity. I therefore inclose herewith memoranda as follows:

1. Cost of handling mail to and from post offices at various points.
2. Mail compensation earned by mail apartments July 1, 1902, to June 30, 1912.
3. The effect of quadrennial mail weighings and adjustments of mail pay as compared with annual adjustments.

The compensation of the Louisville & Nashville Railroad Co. was last fixed for the quadrennial period commencing July 1, 1912. The tonnage of mail matter will be enormously increased on the 1st proximo when the parcel post will be inaugurated. The weight will gradually increase as the parcel post grows in favor, as will undoubtedly be the case. It follows, therefore, that unless Congress comes to our relief we will be called upon to perform a very great and valuable service for a period of three and one-half years without any compensation. Under conditions such as have existed heretofore the quadrennial basis is manifestly inequitable, because the measurement of the compensation wholly disregards the normal annual increase which is inevitable, but under the burden of the parcel post this inequity will be greatly multiplied.

The result of the recent weighing on the Louisville & Nashville Railroad for 54 of our 59 mail routes was as follows:

| | |
|---|---|
| Pay per annum June 30, 1912 | $759,943.22 |
| Pay per annum July 1, 1912 | 801,626.71 |
| Increase per annum | 41,683.49 |

Based upon the reasonable assumption that the increase in the amount of mail handled was fairly regular during the last four years, annual weighings and readjustments of pay would have resulted in our receiving one-fourth of the increased rate now shown, or $10,420.87, for three years; another one-fourth for two years, and another one fourth for one year, making a total of $62,525.22; but, under the quadrennial arrangement, we carried the increased amount of mail up to June 30, 1912, without receiving 1 cent additional compensation. You can readily appreciate what an injustice will be imposed upon the Louisville & Nashville Railroad Co. during the next three and one-half years if it is not allowed adequate additional compensation for the large volume of parcel post matter.

If the above should suggest any inquiries I shall be pleased to answer the same.

Yours, truly, M. H. SMITH, Jr., *President.*

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MEMORANDUM AS TO COST OF HANDLING MAIL TO AND FROM POST OFFICES AT VARIOUS POINTS.

At Pensacola, Fla., the distance between the station and post office, 0.73 of a mile, is included in and paid for as a part of two routes, because it is a terminal of those routes. On route No. 123003, Pensacola and Flomaton, the amount of compensation is $92.87 per annum, being at the rate of $127.22 per mile for 0.73 mile. On route No. 123015, Pensacola and River Junction, the amount of compensation for the service between the station and post office at Pensacola is $82.88 per annum, being at the rate of $113.54 per mile for 0.73 mile. The total of these two amounts is $175.75. As the amount of mail is quite large and there are quite a number of trains to be met, for some of which two trips have to be made, bringing advance mail and final dispatch from the post office, it is necessary to have first-class wagon service. This work is let by tender, and we are now paying $75 per month, or $900 per annum, for the service, so that we actually lose $724.25 on that part of the mail routes.

At Columbia, Tenn., on route No. 127017, Columbia and Sheffield, we receive for the terminal service between the station and the post office $44.12, being at the rate of $73.53 per mile for 0.6 mile. It costs us $120 per year to have the service performed.

At Frankfort, Ky., on route No. 129050, we receive $22.44 per annum for the terminal service, being at the rate of $64.12 per mile for 0.35 mile. The service costs us $96.

At Gallatin, Tenn., on route No. 127026, we receive for terminal service $20.33 per annum, being at the rate of $52.15 per mile for 0.39 mile. It costs us $180 to have the service performed.

At McLeansboro, Ill., on route No. 135078, we receive for the terminal service $20.94, being $42.75 per mile for 0.49 mile. The service costs us $84 per annum. At this point a condition prevails which looks ridiculous, but is not uncommon under the postal regulations. While this company is responsible for the handling of mail between the post office and trains on route No. 135078, the Post Office Department has to pay for the handling of the mail to and from the trains on route No. 135032, East St. Louis and Evansville, because McLeansboro is an intermediate point on that route, and the post office is located more than 80 rods from the station. The fact that the Government employs the mail messenger at that point enables us to make contract with the same man at a comparatively small figure; but, even at this, the service costs us more than four times the amount received. Among the junction points where similar conditions prevail are Frankfort, Columbia, and Gallatin, shown in preceding paragraphs.

At Scottsville, Ky., on route No. 127026, we receive for the terminal service $23.46 per annum, and it costs us $144.

At Adairville, Ky., on route No. 129014, we receive for the terminal service $31.60, and it costs us $96.

Paris, Ky., is an intermediate point on routes 129002 and 129015; but as the distance between the station and post office is slightly less than 80 rods, we are responsible for the handling of the mail to and from the post office. As the mail is heavy and there are a great many trips, wagon service has to be provided, and the smallest amount for which we could get a contractor to undertake this work was $480 per annum. Of course we get no compensation directly for this service, as the side distance to the post office is not included in the length of the

route. If the post office was about 70 yards farther away, this service would have to be provided for by the Post Office Department, and we would not suffer any reduction in revenue, but would save the $480 per annum.

Other instances might be given, but the above ought to be sufficient to emphasize the arguments that the performance of terminal and side-messenger service is not a reasonable requirement, and that if the carriers are required to perform such service it should be paid for at rates much higher than is paid for transportation on trains.

MEMORANDUM ILLUSTRATING THE EFFECT OF QUADRENNIAL MAIL WEIGHINGS AND ADJUSTMENTS OF MAIL PAY, AS COMPARED WITH ANNUAL ADJUSTMENTS.

Complete figures are not at present available showing the results of the mail weighing this year on the larger portion of the Louisville & Nashville system, and the Post Office Department has succeeded, by economical methods in connection with mail-bag equipment and in other ways, in holding down the amount of mail, so that it seems unlikely that any very great increase will be shown over the figures of 1908.

The adjustment effective July 1, 1908, under which we have been working up to June 30, 1912, showed a net increase on the routes weighed of $12,618.70 per annum, as compared with the rates in effect prior to that time. This was a very small percentage of increase as compared with increases shown in previous quadrennial periods, because the department had already commenced to apply its economical methods, and, by the Postmaster General's order No. 412, changing the divisor from six to seven days per week in arriving at the average weight carried, had succeeded in reducing the compensation about one-seventh.

It is only reasonable to assume that the increase in the amount of mail which justified the increase in pay of $12,618.70 per annum, took place gradually during the four years intervening between the weighing in 1904 and the weighing in 1908, or, say, about one-quarter of the increase in each year, so that, if we had had annual weighings and adjustments instead of quadrennial, the increase in pay at the beginning of the second year—July 1, 1905—would have been $3,154.67, which we would have received for three years. At the beginning of the third year—July 1, 1906—there would have been a further increase of $3,154.67, which we would have received for two years, and at the beginning of the fourth year—July 1, 1907—a further increase of $3,154.67 for that year. In other words, we would have received $18,928.05 for carrying an increased amount of mail each year, but which, under the quadrennial weighing system, we actually carried for nothing.

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MEMORANDUM SHOWING MAIL COMPENSATION EARNED BY MAIL APARTMENTS, JULY 1, 1908, TO JUNE 30, 1912.

All the following statements with reference to the amount of compensation credited to particular trains are based directly on statistics furnished by the Post Office Department and may be easily verified. They refer throughout to the quadrennial contract period of 1908–1912, because similar figures are not yet available for the adjustment which is now being made, effective July 1, 1912.

*Route 129004, Cincinnati and Nashville.*—Train 10, Bowling Green to Louisville. On September 12, 1904, the Railway Mail Service people called for a mail apartment for this run not less than 16 feet long. The results of the mail weighing of 1908 showed that train No. 10 carried only 0.41 per cent (0.41 of 1 per cent) of the total weight carried over the route, which made the compensation $1.81 per trip. There is no postal clerk service in this car southbound on No. 9, but a small amount of mail is handled by our baggage-master. However, this amount of mail was so small that in the percentage sheets furnished by the Post Office Department it was disregarded entirely, and no compensation whatever credited to train No. 9. Therefore we have for some years been handling what is practically one-third of a car, fitted up as a traveling post office, with mail and the postal clerk, from Bowling Green to Louisville for 1½ cents per mile run, or less than the fare of the clerk would amount to, and so much less than one-third of the average cost of maintaining and hauling the car in a passenger train that such a comparison is ridiculous. As we have to handle the apartment southbound without any compensation, we really only get about three-fourths of a cent per mile for the service.

*Route 129008, Memphis Junction and Memphis.*—Train 109, between Bowling Green and Clarksville, carries only 0.63 per cent of the total mail on the route, which makes the compensation for that train only $1.25 per trip. The corresponding figures for train 110 are 0.41 per cent of the total weight; compensation, 81 cents per trip. We handle a mail apartment 18 feet 6½ inches long, with equipment, mail, and one of two postal clerks, at an average rate of 1.74 cents per mile for the round trip.

For train 107, from Paris to Memphis, the corresponding figures are 0.67 per cent of total weight; compensation, $1.33 per trip. Train 108, Memphis to Paris, 0.87 per cent of total weight; compensation, $1.72 per trip. The mail apartment is 11 feet long, and the average pay for round trip is 1.17 cents per mile. Train 106, Memphis to Milan, handles only 0.25 per cent of the total mail on route, which makes the compensation only 58 cents per trip, or 6 mills per mile. There is no postal clerk service in this apartment southbound.

*Route 127006, Nashville and Montgomery.*—Train No. 5, Decatur to Birmingham, carries 0.37 per cent of total weight; pay per trip, 80 cents. Train No. 6, Birmingham to Decatur, carries 0.78 per cent of total weight; pay per trip, $1.70. The pay for the 12 foot 8 inch apartment for the round trip is 1.45 cents per mile run.

*Route 129059 and route 129031.*—Trains 69, 70, 41, and 46, making round trip between Evansville, Earlington, and Providence, a total of 148.76 miles, earned only $1.68, or 1.13 cents per mile run, or less than half fare of the postal clerk when traveling on duty. It should be noted that this postal-clerk service has recently been discontinued.

Numerous other instances might be given in detail where the total mail compensation earned by small mail apartments figured out less per mile run than the fare of the clerk or clerks traveling in such apartments. In addition to carrying the clerks while on duty we have to carry them as passengers to and from their homes without compensation and have to assume full responsibility for any injuries received while on our trains.

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LINEA FERREA DEL OESTE,
*San Juan, P. R., September 23, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: In reply to your letter of September 11, I beg to state that your mail is carried over this route by a ferryboat and a train.

No other company runs its trains over our tracks and only one crossing is made, near Bayamon, with the tracks of the American Railroad. The post offices are located nearer to the railroad station than to any other point on the track.

In regard to your three questions, I beg to answer them as follows:

1. I think the plan of compensation is equitable, though considering the small amount of mail carried in this country, 6 per cent profit on the expenses is comparatively small.

2. I think the underlying principle of the plan is on proper basis for compensation. I, however, believe that as far as fines for lack of equipment is concerned, the Postmaster General should not be as strict as with railroads in the States, where purchasing facilities are at hand.

Very respectfully, yours,

R. VALDES.

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LONG ISLAND RAILROAD CO.,
*New York, November 15, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SENATOR: The Long Island Railroad is a good illustration of underpayment for carrying the United States mails, and I will, therefore, submit some of the facts as briefly as possible with the purpose of helping your committee to understand why the existing laws are inadequate to do justice and of suggesting the direction in which remedial measures should be applied. The Post Office Department, in Document No. 105, states that in November, 1909, the company's revenues for carrying the mails were about 28 per cent below the mere cost of operation and taxes, and if the Post Office Department had extended its estimate to include fixed charges, it could have conceded a loss to the railroad of over 80 per cent. The company's calculation on the same data revealed a greater loss, about 200 per cent., or about $85,000 a year.

EXTENT AND CHARACTER OF MAIL SERVICE.

Long Island, as you know, is a section of New York State, extending from New York City to Montauk Point, about 125 miles long, 15 to 22 miles wide, and has a population of over 2,000,000 people. The Long Island Railroad is practically the only transportation agency and, therefore, carries all of the United States mails for the entire section.

The mail service on the Long Island Railroad includes the following:

| | |
|---|---|
| Number of mail routes | 12 |
| Total length of mail routes—miles | 344 |
| Post offices supplied | 188 |
| Railway post-office trains daily | 38 |
| Total mail trains daily | 254 |
| Total of average weights of mail daily—pounds | 16,028 |
| Annual pay received in 1911 | $43,949 |

In addition to the transportation of the mail on over 250 trains daily, it will be noticed that the company furnishes railway post offices in mail apartments (15 to 30 feet in length) on 38 trains daily. It also provides extensive space in the Long Island City terminal for post-office work, without rent, carries the mail between the trains and the post offices at many stations, carries a large number of railway postal clerks and postal officials free, and performs other incidental services.

We are required to furnish a special electric baggage car to move the mails between Long Island City and the publishing house of Doubleday, Page & Co., at Garden City, a distance of 20 miles. This movement amounts to several thousand pounds a day, but the railroad company receives absolutely nothing for performing this service, because it was inaugurated after the weighing of 1909.

HIGH QUALITY OF THE SERVICE IGNORED.

If we divide the annual mail pay ($43,949) by 365 days and then again by 344 miles, we find that the company receives about 35 cents a day per mile of road for carrying an average daily weight of mail of 16,000 pounds, or 8 tons. If all of the 12 mail routes were in one straight line, 344 miles in length, and if the daily weight (8 tons) were carried on one train, compactly loaded like freight, the rate of pay would be moderately remunerative if the work was merely the transportation of the load and did not include the other services described above.

Further, if the company operated only one train a day each way and the Post Office Department refrained from calling for extra car space for railway post offices, thus permitting the whole mail to be consolidated within one car or less, the pay of the company under the present law would be the same as at present. The very life and efficiency of the postal service depends upon expedition, in which frequency of transmission is a very large factor; yet the 254 daily mail trains (varying on the different routes from 5 trains daily to 74 trains daily) obtain no particular recognition in the law. The frequency of service is, however, a substantial factor in the cost of doing the work, because the load to be carried is divided into retail lots with consequent increase of expense.

The present terminal of mail-car runs is Long Island City, which involves wagon service via Thirty-fourth Street Ferry, with greatly increased cost and delay.

With the completion of the new post office at the Pennsylvania Station in New York City, this company can extend its mail routes direct to the post office, making that the terminal for all mail-car routes, greatly expediting the movement and eliminating the cost of wagon service. But we must be paid for this service on a proper basis instead of the miserable sum of $600 offered by the Post Office Department for a high-class service of 10 steel mail apartment cars per day through the East River tunnels to the $50,000,000 station in the heart of New York, where it costs us for electricity, wages, and ordinary expense over $2 for every car moved into and out of the terminal, without adding for rent and taxes. We should have at least $15,000 per annum for making the new post office the terminal of the Long Island mail service, in addition to pay for handling mail via new electric routes at the usual rates for service of that kind. This matter is one now under discussion with the Post Office Department. The local officials of the department recognize the great benefits which the department will secure through the operation to the Pennsylvania terminal, and agree

that the railroad company must be paid for it; but the regulations of the department are so narrow and unfair that it seems impossible for us to get together. The public suffers through such conditions, and the department is unable to take advantage of the new facilities.

### MAXIMUM FACILITIES FOR MINIMUM PAY.

The geographical situation of Long Island with the Long Island Sound on the north and the Atlantic Ocean on the east and south, accounts for the fact that the heavy load of mail starts from the western terminal at New York City and rapidly diminishes as it travels eastward to the vanishing point. Similarly, going westward there is naturally only a moderate accumulation of mail until trains near the metropolitan district. Therefore, the facilities, and especially car space, must be reserved and set aside for the maximum load of the heaviest season, while the law prescribes payment for the average weight carried. The average is a very lean average; first, because of the geographical conditions noted above; second, because the Post Office Department selects a period for weighing believed to be below the normal for this road; third, because since 1907 the Post Office Department includes Sundays in the computation, although very little service is required or performed on our line on Sundays, instead of confining the test period to working days, as stated in the law; and fourth, because the average weight when determined is kept stationary for four years, regardless of any increased business accumulating in the meantime.

### RAILWAY POST OFFICES—SORTING MAIL EN ROUTE.

It surprises one after he takes up the study of the subject of the transportation of mails to discover that the transportation has been superseded in relative importance by the traveling post offices carried over the road several times daily, in which railway postal clerks open the mails and do a general post-office business. It was suggested above that the entire daily lead of 8 tons could be economically transported in half of one car on one train so far as the weight is concerned. In contrast with this please note the fact that the Post Office Department uses 38 railway post offices daily on our line, in which the car space devoted to the mails aggregate about 800 linear feet, or the equivalent of 13 full cars 60 feet in length. The law of 1873 prescribes a rate of pay for a certain average daily weight on the condition that the mails are carried with "due frequency and speed," and that suitable and sufficient room, fixtures, and furniture in a car or any apartment properly lighted and warmed shall be provided for route agents to accompany and distribute the mails. Since then the distribution en route has greatly increased, and there is no limitation restricting the Postmaster General as to frequency of service or the size and number of apartments. The car space for railway post offices can easily be recognized as the main factor at present on our lines, while the weight of mail transported is an uncertain and inadequate measure upon which the pay is based, but holding a very inferior relation to the car space demanded by the Post Office Department or provided by the railroad company.

### THE PAY RELATIVELY LESS FROM YEAR TO YEAR.

During the past 15 years the wealth and commerce of the country and all business activities have increased to a remarkable extent. The same can be said of all branches of the Long Island Railroad business except the mail pay. In 1897 the annual rate of mail pay was $40,982.40, and in 1911 it was $43,949, an increase of less than 8 per cent in 14 years. In the same period the other items of Long Island Railroad business increased as follows:

| | Per cent. |
|---|---|
| Earnings from passenger service | 209 |
| Earnings from freight service | 178 |
| Earnings from express service | 201 |
| Operating expenses | 219 |
| Taxes | 235 |
| Fixed charges | 210 |

It is not necessary to comment on this obvious disparity, except to say that we estimate that the apartment-car space devoted to railway post-office purposes increased about 100 per cent during this period, while the mail pay was raised only 8 per cent. It can be conservatively claimed that the accumulated shortage in our mail pay for the period of 14 years was over a million dollars.

CONCLUSION.

The remedial amendments to the present laws suggested in the response to you from the committee on railway mail pay are indorsed by our own experience and study. Pay for mail-apartment cars is the principal need for the Long Island Railroad, if the other provisions of the laws remained unchanged. An allowance for the side messenger service and terminal messenger service performed by the company would be only equitable. Annual weighings of mails with annual radjustments of pay are vitally important for many railroads, and are indispensable to all now that the parcel post is about to be established.

If the deficit in our mail pay as compared with operating cost and taxes as ascertained in November, 1909, be expanded to include an allowance for fixed charges, the resulting figures would be $95,765.75. If this deficit were to be equalized by an allowance of pay for mail apartments, the rate would need to be based on 8 mills per car-foot mile. Therefore, the annual rate per mile of route for a round trip daily of mail-apartment cars, in addition to the pay for weight of mails carried, would be approximately: For 30-foot mail apartment, $87.60 per mile per per year; for 25-foot mail apartment, $73 per mile per year; for 20-foot mail apartment, $58.40 per mile per year; for 15-foot mail apartment, $43.80 per mile per year.

The General Government in the maintenance of the Post Office Department is performing a social and commercial service for the public; so also the railroads in carrying passengers and freight are performing a very essential and important social and commercial service. The establishment of the parcel post emphasizes the commercial aspect of the postal service. The traffic should render a fair return to those engaged in the service whether as postmasters, clerks, letter carrirs, or as railroads. Viewing the national postal system as a whole, the railroads constitute not only the framework of connection for the whole structure, but in addition provide and operate the motive power for intercommunication between all of its parts. Its importance should be duly recognized and its work should be fairly compensated.

Very truly, yours,

RALPH PETERS, *President.*

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LOUISIANA RAILWAY & NAVIGATION CO.,
*Shreveport, La., September 19, 1912.*

Mr. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I have your letter of September 11 and copy of Senate bill 7371, embodying aplan for determining the compensation to be paid to railroad companies for transportation of mails.

The roads that are the least able to comply with the present governmental requirements are those who draw the minimum amount of compensation, and whose cost for handling per 100 pounds is far greater than those drawing maximum pay.

Under this bill the minimum amount of payment is reduced from $42.50 per mile per annum to $25, which will be a great hardship to the roads who need a proper compensation in the sparsely settled sections of the country that they are developing largely at their own expense. Local conditions can not well be taken into consideration in fixing the compensation under this arrangement. The Postmaster General will of necessity adopt certain rules which he will pursue in determining the cost of handling. In the adoption of these rules, local conditions will be ignored; in other words, those most able to handle cheaply would probably be overcompensated, whereas in using this method those to whom the expense is greatest will be underpaid. It is true, opportunity is afforded to appeal the apportionment to the Interstate Commerce Commission, but they, like the Postmaster General's department, will also be guided of necessity by certain rules and standards.

In our own case, for example, this line of 350 miles was entirely built by one man, he furnishing the entire capital for the project; no outside investors have been called upon to help bear the burden, and beginning about 14 years ago, many millions of dollars have been inves'ed up to the present time. The results of this has been that a country all the way from west Louisiana to New Orleans has had its value increased several hundred per cent. Each individual along the line is worth considerably more because of his investment; the great convenience to this population, who previously depended upon the irregular

steamboat service or the mail coach for their mails, is worth thousands of dollars to them through the handling of the mails along this line, and yet in all this time the investor of the millions tied up in this road has received no benefit whatever in the way of interest on his investment.

In computing the cost under the rules of the Postmaster General, the probabilities are that only cost of transportation or operating service would be considered, and yet it seems but fair that the proportional amount of loss through operating for years for the convenience of the public at large should be borne by the public. In other words, in conditions of this kind a 6 per cent added to the actual transportation or operating costs would not be fair compensation.

For many years, owing to the thinly settled condition of the country, the weight of mails carried did not, under the old law, justify the payment of more than the minimum mileage, and had this bill been in effect during that time the proprietor's loss would have been increased to the extent of the difference between the minimum in the present bill and that of the one now in effect. The bill seems to authorize the Postmaster General to carry mails on any train—freight or passenger—and to allow the ordering of mail service on freight trains after compensation has been fixed without additional payment.

We are now hampered in our operations to some extent by carrying mails on freight trains, and the public always free to expect and demand the best of service from a railroad company, even though privately owned, make no distinction nor no allowance for the failure of such company to provide their requirements with any profit to itself. This bill gives authority to the Postmaster General to fine the roads for failure to perform the service—even as high as three times the value of such service.

Local conditions would have a great bearing on this phase of the matter.

Under the old law, while roads were being fined for delayed trains this company, with its new line operating in seasons of extreme rainfall, was held up to the same standard that was expected and required of the Pennsylvania or the New York Central, even to such an extent that in some cases, out of a quarterly payment of $2,300, as much as $700 was deducted on this account.

The requirement under certain conditions with certain roads, at certain times, is unreasonable, and such roads would be far better off if they were not handling the mails at all. In addition to this, in the near future a road such as ours, even yet before it begins to be a profitable investment for its builder, will be required to supply a new set of equipment under the Government rules. This equipment will be of no benefit whatever to the railroad except for handling the mail, and if proper compensation is not received would be simply an added loss. The Government, through its power to do so, is imposing upon the builder of this line, as the 6 per cent added to operating costs would not by any means, even though all costs should be included, justify the outlay of many thousands of dollars in order to provide a certain class of equipment.

It therefore seems to me that the minimum compensation should not be reduced; that some provision should be made for extra compensation to new and nonprofitable roads, and that local conditions should be considered in fixing compensation and a higher rate of cost per mile allowed to those roads handling a small tonnage of mail than is allowed in the case of the larger lines.

Yours, truly,

H. B. HELM, *Second Vice President.*

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MILNER & NORTH SIDE RAILROAD CO.,
*Milner, Idaho, November 2, 1912,*

JONATHAN BOURNE, ESQ.,
*Washington, D. C.*

SIR: Replying to yours of September 11, relative to Senate bill 7371, in reply to—

Question 1. Would say that I consider the present plan is equitable between this company and the Government. I have no figures as to other classes of railroads, and am, therefore, not competent to offer any opinion.

Question 2. I consider the underlying principle of the plan embodied in the above bill the proper basis for compensation, so far as this company is concerned; but I believe that, whenever additional service is asked for, compensation should be allowed for same.

Question 3. I know of no more desirable plan than the one proposed, with the exception as noted in reply to question 2.

Yours, truly,

D. C. MACWATTERS,
*Vice President and General Manager.*

MARYLAND & PENNSYLVANIA RAILROAD CO.,
*Baltimore, Md., October 16, 1912.*

HON. JONATHAN BOURNE,
*Washington, D. C.*

DEAR SIR: In your circular letter of September 11 last you propound three questions which I will endeavor to answer concisely.

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads, etc.?

Answer. The present plan we deem inequitable:

(*a*) The present rate of $75 per mile per annum for 500 pounds is only about 5 cents per 100 pounds per mile, for which the railroad not only transports the mail but, in addition, a passenger on an apartment specially fitted up for that purpose—a miniature post office—and which can be used for no other purpose. Especially can this be said of short lines on which the department pays nothing for the office on wheels which it requires.

(*b*) It is difficult to appreciate the equity of the department's paying for a whole car where such is used and declining to pay anything for a portion of a car fitted up in exactly the same manner.

(*c*) The service is burdened with deliveries which, on some routes, consume a large portion, if not all, of the compensation received by the railroad.

Question 2. Is the underlying principle of the plan embodied in Senate bill 7371 a proper basis for compensation, etc.?

Answer. The plan for compensation embodied in this bill is to allow the railroads an amount "not exceeding the cost to the railroads of carrying the mail, as ascertained by the Postmaster General, and 6 per cent of such cost." This appears to be a new method of conducting business, and one which would prove disastrous in most, if not all, lines of trade.

A contractor who furnishes no money and assumes no risk usually receives more than 6 per cent on cost for supervision alone.

Solvent railroads require at least 30 or 40 per cent of their gross revenue to keep them afloat and pay a reasonable return on their capital. This represents not 6 per cent but 50 to 60 per cent of their expenses or cost of earning their money.

Moreover the bill does not require the Postmaster General to pay to the railroad the cost plus 6 per cent. This is a maximum beyond which he may not go, and what he shall pay within this is left wholly to his discretion. You will kindly note that what is sometimes called an appeal to the Interstate Commerce Commission has no bearing upon the question of what the Postmaster General shall pay within this maximum of cost plus 6 per cent. For that procedure if an appeal at all is only upon his method of ascertaining the cost so that even should the commission decide against him he accepts its findings as to the cost, yet still with full discretion as to the compensation, within the maximum, which he will offer a railroad. And when he has made the offer the railroad, under the last provision of the bill, is bound to accept it or commit an unlawful act and make itself liable to a fine of $5,000.

Now does the bill provide for an appeal to the Interstate Commerce Commission? The bill does not use the term appeal. Nor in sketching the proceeding does it describe an appeal. The objection of a railroad is to be filed not with the commission but with the Postmaster General, who "shall certify the method and objection, and such other papers as in his judgment may be essential to an understanding of the method, to the Interstate Commerce Commission." This seems to be only a reference, not an appeal.

There is no provision here for an appeal nor a day in court for the railroad. Without further pursuit in detail the underlying principle may be characterized as one obnoxious to our fundamental conception of justice, in that it proposes to confer upon one contracting party full power in his discretion to impose upon the other contracting party terms which he is bound to accept, thus depriving him of his lawful contractual right.

Question 3. What is a desirable plan for compensating railroad companies for transporting the mails?

Answer. To ascertain on the average what the space required would be worth to the railroad if occupied by passengers or express matter. The department requires a certain space fitted up, supplied, and attended to in a prescribed manner for its exclusive use. By all rules of trade it should pay for the space appropriated, whether filled or not.

Now, for a few words in general. This bill falls into the class of interstate legislation, yet it is in direct contravention of the spirit of and the principle

underlying that legislation. The underlying principle of the interstate commerce law is absolute equality among shippers. But under this bill the United States would assume the position of a favored shipper, entitled to a lower rate not only, but a rate of its own making in the discretion of its representative.

It goes without saying that the United States intends to do what is right. It is becoming, therefore, that a fair and adequate rate be found and established by statute. Should this be done there will be no kick on the part of the railroads. Allow me to hand you herewith a copy of a communication addressed to the Speaker of the House of Representatives by Mr. Frank Sullivan Smith, president of the Short Line Railroad Association, which goes into more detail than I have thought necessary to answer your questions.

I also inclose copy of bill 4044, introduced by Mr. Talbott on April 11, 1911, into the House of Representatives, which is supposed to be satisfactory to the railroads.

Respectfully, yours, JNO. WILSON BROWN, *President.*

You will kindly understand the above is also the answer of the Maryland Electric Railways Co. J. W. B

Has justice fled from Washington,
And left a naked skeleton,
That we should take this bill to be
Remotest kin to equity?

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SHORT LINE RAILROAD ASSOCIATION,
*New York, February 29, 1912.*

The SPEAKER OF THE HOUSE OF REPRESENTATIVES,
*Washington, D. C.*

DEAR SIR: In view of the admission made by the Postmaster General in his annual report for the fiscal year ending June 30, 1911, that the statistics obtained during the course of the investigation he had caused to be made in regard to railway mail transportation, as contained in his report and the recommendations submitted to you, designated as House Document No. 105, disclosed the fact that certain railroad lines "were actually carrying the mails at a loss," the Short Line Railroad Association, whose roads have not only been underpaid and in many instances have not been paid at all for the services they rendered the Government, was encouraged to believe that House Document No. 105 would recommend changes in the law, along the lines of those advocated by the association, or a reasonable and fair substitute therefor. Being thus led to believe, the association, with considerable difficulty, secured a copy of House Document No. 105, and after examining the statistics gathered and compiled according to the computations and methods adopted by the Post Office Department, eagerly read the recommendations made by the Postmaster General to adequately compensate the railroads, many of which showed according to the computations made in the report a loss from the mail service, from $16,000, $9,000, $5,000, $2,000, $1,000, $500 down to $100 and less for a period of one month.

The recommendations briefly are:

First. That the present method of compensation to railways for mail carriage, having no sound basis either in cost of operation or value of service, be abandoned.

Second. That there be substituted for the present method a method for compensation, based upon the cost of the service with a profit of 6 per cent to the railways.

Third. That such cost of operation be determined by annual reports to be required by the Postmaster General from the railways upon a method of determination to be determined by the Postmaster General and foreshadowed to some extent in character by the reports required from railways in the investigation of the subject of this report.

Fourth. That if the railways disagree with the conclusion of the Postmaster General, either as to form, significance, or conclusions, the matter shall be referred on appeal to the Interstate Commerce Commission.

Fifth. That it shall be unlawful for any railroad company to refuse to carry the mails at the rate of compensation provided by law when (and) for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding $5,000.

In considering the practical workings and effect of these recommendations in their bearing upon the service and the pay proposed to be accorded railroads in general and short lines in particular the services of one of the most capable and efficient auditors connected with one of the association short line railroads were invoked to analyze the recommendations. This analysis, upon review by the association, is fully concurred in and is herewith presented:

"As to nebulous basis for the present method of compensation: It may be granted at once that the present basis of compensation is not scientific, having no tangible relationship either as to the cost of operation or the value of service. This unhappy state of affairs is true of every method of rate making, either for freight or passenger transportation or any other service for which railways assess charge upon the public. It is also true probably of the tangible charges for every exercise of human activity. There is no scientific reason why a clothing merchant should exact a profit of 50 per cent for his merchandise as against a profit of 20 per cent by a grocer.

"Rates for passenger transportation and freight transportation charged by railways doubtless took their origin from the rates charged for like service prior to and up to the time when rail transportation was introduced. It is not probable that they had any consistent relationship with the cost of transportation—although some relationship to the value of service as determined by economic factors. The rates that prevailed prior to the introduction of rail transportation had really less relationship to cost of transportation, but probably were somewhat more affected by the value of service, than the original rail rates. It is true probably that the rates of transportation, both prior to and after the introduction of rail transportation, were affected to some degree by costs, because excessive profits would invite a degree of competition which could be introduced at moderate capital expenditures, at least prior to the introduction of rail transportation.

"Transportation of mails before the introduction of rail transportation was effected along stage and water routes and on horseback, sometimes incidental to the established passenger and freight routes and sometimes the existence of the mail route occasioned the establishment of the passenger and freight routes. The compensation for mail carriage when along established stage routes was in the character of additional pay to the existing business of transportation. In no cases, or at least in few cases, did either the carrier of the mails or the Government contribute to the means of carrying, in the way of roads or bridges, which costs were largely borne by the local governments. In this a radical departure was introduced when mail carriage was undertaken by the railways, the investors in railways then paying the entire cost of providing the channels for carriage.

"In the process of time many influences have intervened to disturb whatever relationship originally existed between the cost of service and the rates charged therefor. The competition of other methods of transportation has largely affected rates between definite terminals. These disturbances have affected interior rates. Community competition and the competition of great industrial establishments have further affected rates.

"Where a given instrumentality affords several characters of facilities we must adopt some basis for apportioning the cost of the instrumentality among the several objects accomplished.

"As rates for passenger and freight transportation by railways were probably originally based upon the rates previously existing on other methods of transportation, it is probable that the rates of mail transportation by railways were originally based somewhat upon the compensation required to secure mail transportation by the facilities existing prior to the introduction of railways. It is improbable that the present minimum rate of $42.75 per mile of route was arbitrarily evolved from the inner consciousnesss of a postal authority or a negotiation between the postal authorities and the railways. It doubtless bore some relationship to previously existing rates and ultimately to the cost of transportation of mails or to compensation therefor by more primitive methods of transportation. A hundred-mile route under this basis would pay $4,275 per year. The average minimum weight on these routes could not possibly be carried by any other method than rail transportation overland at anything like this cost, without taking into account either the cost of highways or advantages in time.

"As to the proposition to substitute a method of compensation based upon the cost of handling the business with 6 per cent profit:

"Years ago the Interstate Commerce Commission formulated an effort to ascertain the relative cost of operations as between passenger and freight

traffic. After some years this effort was abandoned by the Interstate Commerce Commission. Railroads individually for their own information have, however, persisted in efforts of this character for the obvious advantages to be gained by such knowledge. The matter has again and again been studied with reference to the subject of the determination of reasonable rates for passenger and freight transportation respectively. A very small portion of the operating expenses of railways is inherently applicable either to passenger or freight traffic. The great bulk of railway operating expenses are not inherently capable of apportionment, and if this be true, how much less capable of apportionment are the original investments, particularly as to rights of way, roadway, and structures. It therefore follows that in respect of the great bulk of railway operating expenses, including taxes, and of the burdens incident to original or capital investment, any effort to apportion these burdens as between passenger and freight traffic must be upon more or less arbitrary bases. As to these arbitrary bases there must be adopted by the individual roads some theory of apportionment and these bases must differ in a profound and logical study, not only with each individual road but with each operating division of every large system.

"It must be kept in mind that prior to any apportionment of expenses against mail transportation there must first be made an apportionment of costs as between freight traffic and passenger traffic.

"It being apparent that any apportionment of operating expenses between passenger and freight traffic involves the assignment of a very large proportion of such operating expenses upon arbitrary bases, such bases must have rational or logical relationship to the conditions of each road, and only a very close familiarity with the conditions can equip anyone to determine these bases. The determination of the relative expenses of freight and passenger transportation can only be made by each separate road. Where this apportionment is made for a special purpose the results will largely depend upon the parties making the apportionment. Therefore, a rate of compensation determined upon the additiion of a fixed per cent of profit to the cost of the service will result in rates of compensation varying largely according to the officer making the apportionment. It may be argued that the postal department will have the right of review as to this apportionment. When it is considered how many railroads will be charged with the making of this apportionment and how many reports will require review by the Post Office Department, and how relatively incompetent the forces of the post office will be to make this review by their necessarily imperfect knowledge of conditions prevailing on individual roads, the seriousness of the task is apparent.

"The Postmaster General suggests that the compensation for mail transportation shall be based upon the ascertained cost plus a profit of 6 per cent. A careful study of the document he submits of the results of the departmental investigation indicates that in ascertaining the cost he has recognized but two factors, namely, those elements of cost usually designated as operating expenses and taxes. I can not find that he has taken into account any element of capital investment or the necessary burdens incident thereto. These burdens must be borne by traffic, and if it is proper to apportion operating expenses against mail transportation it would necessarily follow that capital burden must also be apportioned against mail transportation.

"The basis of the Postmaster General's conjecture that a profit of 6 per cent upon the mere cost of mail transportation would be compensatory to the railroads is not indicated in his reports.

"As a matter of fact, a railroad whose gross earnings bear any less per cent to its operating expenses than 100 to 70 per cent is in a bad way; that is to say, a railroad company on its entire traffic must realize a gross earning of substantially 43 per cent over its operating expenses to afford a fair return to its investors.

"In the apportionment of passenger operating expenses as between passenger traffic, express traffic, and mail traffic, the Postmaster General in his report has used the car-foot mileage assigned to each traffic as a basis of apportionment. As applied to the closed-pouch service, the linear space apportioned to mail traffic was on the basis stipulated by the department; that is to say, the railroads were directed to allow 6 linear inches full width of car for the first 200 pounds or less of average daily weight of mail carried and 3 linear inches for each additional 100 pounds.

"The department, however, states in the report that they followed the following rule: For weights of 100 pounds or less, 6 linear inches; for weights above

100 pounds and not exceeding 200 pounds, 10 linear inches; for each additional 100 pounds, 5 linear inches.

"The result of this basis is that if a combined passenger, baggage, and express car were used to carry mail in closed pouches, the car being 50 feet in length and the mail weighing an average of 200 pounds less than two one-hundredths of the cost of operating the car would be charged to mail service; that is to say, no matter how much unused space there might be in the balance of the car, but two one-hundredths of the car expense could be charged to mail, leaving ninety-eight one-hundredths of the car to be apportioned against passenger and express service. It can readily be seen that this method of apportioning the cost of the mail service applied to short-line railroads carrying only pouch mail would place them in the class to receive as he proposes $25 per mile per year, if the ascertained cost and 6 per cent does not equal that amount.

"In addition to the large burdens put upon the railroads by existing governmental commissions in exactions of reports of operation, the Postmaster General proposes that all railroads shall hereafter be required to make a report to the Postmaster General annually of the operations of the railroad, with such an apportionment of the operation expenses as shall enable a determination of the operation expenses applicable to a very small percentage of its traffic. Because of the inherent difficulties of this apportionment it may be assumed that the reports required would be of a very complex character and both difficult and expensive to prepare.

"The Postmaster General proposes that a different period of the year shall be selected for this report than the period at which the annual reports to other governmental agencies are made, thus inflicting upon the railroads the impossibility of using the data already prepared, for the purpose of making these reports so far as it might be possible.

"He also proposes to impose upon the railroads certain methods of apportionment, which, in the words of the committee on railway-mail pay of the American Railway Association, are never accepted by anyone with practical experience in railway accounting or operation and condemned by the courts in at least two important cases.' The imposition of such methods will prevent the railroads from using the data which for their own practical purposes they have compiled for the purpose of ascertaining the relative costs of conducting passenger and freight operations, which, if applicable to one road would be entirely inapplicable to another and of no practical value to the railways.

"The Postmaster General then proposes that if the railways disagree with the conclusion of the Postmaster General upon the reports rendered, the matter shall be referred on appeal to the Interstate Commerce Commission.

"It may be mentioned at the outset that the Interstate Commerce Commission long ago despaired of applying a rational basis of apportionment of operating expenses as between passenger and freight traffic.

"If the Interstate Commerce Commission did not recognize the methods designated by the Postmaster General, endless confusion would result from such appeal. Moreover, it may be assumed that in proportion to the burden imposed upon the Interstate Commerce Commission by such appeals the present burden upon that commission would become insignificant, particularly as differing conditions would render any basis inapplicable to any considerable number of roads, and the determination of the appeal would involve the study of each road's conditions, varying to some extent from year to year.

"The situation is presented of a controversy in which judge and plaintiff are one, to be appealed to an instrumentality substantially identical in interest to the plaintiff and lower court; that is to say, the railways have to accept and transport the mail traffic. The compensation to be paid is to be based upon an arbitrary percentage of the cost of the traffic, much inferior to the compensation ordinarily obtained for its general traffic in proportion to its cost; the method of determining its cost shall be stipulated by Government and appeal must be made to the Government."

According to the statement made by the Postmaster General in House Document No. 105, data was received from 2,778 out of 3.309 authorized mail routes. The monthly loss from the mail service on these routes as given in Table 7 is $75,733.07, a total for 12 months of $908,796.84. The loss given is based upon a computation where the interest on the capital is omitted and a large percentage of dead space in mail cars, which can not be used as passenger space, is transferred to the passenger service.

If the department concedes a loss of nearly a million dollars a year, based upon false and misleading methods of computation adopted by it in arriving at its conclusions, the actual loss incurred must therefore remain problematical.

However, enough has been shown to bear out the statement of the Postmaster General that if an adjustment of railway-mail pay is lodged in his hands that he will still further reduce the amount to be paid the railroads $9,000,000 a year. This amount seems conservative when we consider his method of arriving at the cost of the service and the percentage of profit he is willing to grant based upon his figures giving the cost.

At the present time short-line railroads, making free side and terminal mail deliveries and furnishing apartment-car space for nothing, are contributing to the post-office fund more than $5,000,000 a year.

Yours, respectfully,

SHORT LINE RAILROAD ASSOCIATION,
By FRANK SULLIVAN SMITH, *President.*

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TALBOTT BILL.

[H. R. 4044.]

In the House of Representatives. April 11, 1911. Mr. Talbott of Maryland introduced the following bill; which was referred to the Committee on the Post Office and Post Roads and ordered to be printed.

A BILL To amend existing laws and equalize pay for mail service on railroad lines.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That that part of the act of March third, eighteen hundred and seventy-three, as it appears in section four thousand and two of the Revised Statutes and as it has been modified by subsequent legislation, be, and the same is hereby, amended to read as follows, namely:

"The Postmaster General is authorized and directed to readjust the compensation to be paid from and after July first, nineteen hundred and eleven, for the transportation of mails on railroad routes upon the conditions and at the rates hereinafter mentioned:

"First. That the mails shall be conveyed with due frequency and speed; and that sufficient and suitable room, fixtures, and furniture in a car or apartment properly lighted and warmed shall be provided for railway postal clerks to accompany and distribute the mails.

"Second. That the pay per mile per annum shall be at the following rates, namely: On routes carrying their whole length an average weight of mail per day of not more than five hundred pounds, seventy-five dollars; one thousand pounds, eighty-five dollars and fifty cents; one thousand five hundred pounds, one hundred and six dollars and eighty-seven cents; two thousand pounds, one hundred and twenty-eight dollars and twenty-five cents; three thousand five hundred pounds, one hundred and forty-nine dollars and sixty-two cents; five thousand pounds, one hundred and seventy-one dollars; and on routes carrying their whole length an average weight of mails per day of upward of five thousand pounds by making the following changes in the rates per mile per annum for the transportation of mail on such routes in effect on June thirtieth, nineteen hundred and seven, and hereafter the rates on such routes shall be as follows: On routes carrying their whole length an average weight of mail per day of more than five thousand pounds and less than forty-eight thousand pounds, the rate shall be five per centum less than the rates on June thirtieth, nineteen hundred and seven, on all weight carried in excess of five thousand pounds; and on routes carrying their whole length an average weight of mail per day of more than forty-eight thousand pounds the rate shall be five per centum less than the rates on June thirtieth, nineteen hundred and seven; on all weight carried in excess of five thousand pounds up to forty-eight thousand pounds, and for each additional two thousand pounds in excess of forty-eight thousand pounds, the rate shall be nineteen dollars and twenty-four cents upon all roads other than land-grant roads, and upon all land-grant roads the rate shall be fifteen dollars and thirty-nine cents for each two thousand pounds carried in excess of said forty-eight thousand pounds; the average daily weight to be ascertained in every case by the actual weighing of the mails

on all of the railroad mail routes at the same time for thirty-five successive days, commencing on such date, to be designated by the Postmaster General, as is fair and just to the Government and to the carriers, and not less frequently than once in each year, and the result to be stated and verified in such form and manner as the Postmaster General may direct, and that the Postmaster General is hereby authorized and directed to require a railroad mail carrier to provide for the carriage of the mails between its trains and a post office or postal station only where such post office or postal station is located in a railroad depot or station of such carrier."

SEC. 2. That section four thousand and four of the Revised Statutes, as modified by the act of March second, nineteen hundred and seven, making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and ten, and for other purposes, be, and is hereby, amended by adding thereto the following, namely:

"And the Postmaster General is hereby authorized and directed to allow for space used for railway post-office purposes in apartment cars at pro rata of the rate of compensation allowed for postal cars forty feet in length."

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MISSOURI & LOUISIANA RAILROAD CO.,
*Kansas City, Mo., September 20, 1912.*

Mr. JONATHAN BOURNE, Jr.

DEAR SIR: Your letter of the 17th, to which is attached a copy of Senate bill 7371, to provide the manner of determining the compensation of railroads for the transportation of the mails. We are not entirely familiar with the general proposition as it would naturally affect the more important trunk lines of the country, but as to smaller lines like ours, operating but 10 miles of main line over which the mail is transported, we have to suggest that the compensation is not reasonable. We provide on our line in this State two trains each way per day, except that we do not operate on Sundays. We are allowed an annual compensation of $449.28. This for transporting the mail and in addition caring for the handling of pouches to and from post offices at Bevier, Keota, and Ardmore, Mo. At the least calculation it costs us $5 per month at each of these towns to have the mail carried to and from the post offices, or a total of $180 per year to be deducted from the allowance made us by the Government, leaving us but $269.28 for the service of transportation. It does appeal to us that with the smaller lines a greater allowance per mile should be made. The same rate of pay per mile as applied to the larger lines yields, perhaps, a fair revenue for the service furnished, but for the smaller lines it does not, all of which we submit for your kind consideration.

Yours, truly, JNO. A. SARGENT.

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MISSOURI, OKLAHOMA & GULF RAILWAY CO.,
*Muskogee, Okla., November 1, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Replying to yours of September 11, I submit the following memoranda for your consideration:

(1) The present plan of compensation for railway mail pay is inequitable to the short-line railroads, for the reason that large railroads are paid a rental charge for all cars 40 feet in length, while small roads are paid no rental whatsoever. Many of the short-line railroads are paid on the basis of the minimum of $42.75 per mile, and have not had a weighing of the mail on their line for several years, while on the large lines the mail is weighed annually and the pay adjusted accordingly. The present plan is also unscientific, because it has no tangible basis and has no relation to the cost of the service.

(2) I do not consider the present plan as outlined in bill S. 7371 a proper basis for arriving at the compensation for several reasons. First, the railroads are allowed only 6 per cent over the cost of transporting the mails, which cost includes operating expenses and taxes. Now railroads are heavily bonded and pay a large interest charge on their bonded indebtedness, and are forced to earn at least 30 per cent of their gross revenues in order to pay this interest; that is, their expenses should not exceed 70 per cent of their gross earnings. Then there are other charges and expenses to be met that are not included in

their operating expenses, such as rents, discounts, and additions and betterments to their existing property, which are necessary to meet competition, or for the proper conduct of their business. As before stated, in order to pay their interest and their other charges, and to give their investors a fair return, it is necessary that they earn at least 30 per cent of their gross revenues, and if freight traffic, passenger traffic, etc., is expected to carry this burden, why should not the mail traffic also earn 30 per cent of its gross revenue instead of 6 per cent? Second, this bill seems to be based on the recommendations of the Postmaster General contained in House Document No. 105. The Postmaster General in arriving at his cost of carrying the mail distributes the car space as follows: For weights of 100 pounds or less, 6 linear inches; weights above 100 pounds and not more than 200 pounds, 10 linear inches; and for each additional 100 pounds, 5 linear inches.

On this basis, on this line, which carries about 800 pounds of mail per mile per day, there would be about 40 linear inches of the car assigned to the mail traffic or one-fifteenth of the space, while as a matter of fact there are 15 feet of each 50-foot car devoted to the mail, or about one-third of the space, and it can readily be seen that under the Postmaster General's plan, the mail would not receive its proper proportion of the expense. Third, under this bill it will be necessary for each railway to make reports to the Postmaster General in order that he may determine the cost of carrying the mail. Now, in order to arrive at such cost, it is first necessary that the expenses of a railroad be divided into freight expenses and passenger expenses. Only a small percentage of a railway's expenses is directly assignable to either freight or passenger traffic; the large majority is chargeable to both freight and passenger traffic and can not definitely be segregated; however, most railways endeavor to make such a separation of their expenses, and in order to do so they employ various arbitrary bases for the segregation; these bases being determined by the actual physical conditions on the railway itself. It does not appear, therefore, that the Postmaster General or his corps of assistants are competent to pass on the reports of the various railways throughout the country, they being ignorant of the local conditions and the methods employed in separating the expenses and the reasons therefor. House Document No. 105 provides that the railways' reports to the Postmaster General shall be made at different times and for different periods from those now made to the various Government commissions. This appears unreasonable, and will put an unnecessary hardship on the railways by depriving them of the use of the statistics and figures already prepared.

(3) As the various railways are themselves in the best position to determine the cost to them of handling the mail, it would seem that they should also be in the most advantageous position to name the compensation. Therefore, it seems to me that they should be allowed to file tariffs with the Interstate Commerce Commission governing the rates for transportation of the mails the same as for the transportation of freight and passengers. Of course these rates would be subject to attack by the Postmaster General just the same as the rates for freight and passenger traffic are open to the criticism of the public.

Yours, truly,

WM. KENEFICK, *President.*

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MISSOURI PACIFIC RAILWAY CO.,
ST. LOUIS, IRON MOUNTAIN & SOUTHERN RAILWAY CO.,
*St. Louis, Mo., November 22, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I have to acknowledge receipt of your letter of September 11, 1912, inclosing a copy of Senate bill 7371, and requesting views upon three specific inquiries on the subject of railway mail pay, which, with answers thereto, are contained in a memorandum attached.

The real issue is whether the railroads are overpaid or underpaid for mail transportation. The railroads have been protesting since 1907, particularly, that they were underpaid, and that reductions of about $8,000,000 per annum, made in that year, were unjust to them, and that some form of adjustment should be made.

The Senate Post Office Committee Report No. 955, Sixty-second Congress, second session, July 23, 1912, page 25, which accompanied the Post Office ap-

propriation bill, stated that "the committee is of the opinion * * * that the rates are excessively high."

This view, presumptively, is founded upon the report of the Postmaster General, Document No. 105, wherein he purports to show that the railroads are overpaid $9,000,000 per annum, which might be saved by enactment of a bill proposed by him, and introduced by your committee, as S. 7371.

There is no proof in his report that the railroads are overpaid; on the contrary, even superficial analysis explodes any such theory, because the methods employed in making his deductions are fatally in error and fortunately easily demonstrated.

His first serious error is in overlooking the right of railroad property or capital to earnings, which is a recoghized primary and constitutional factor in all rate cases.

This property is, of course, of enormous value, as follows (1910, I. C. C. Report):

| | |
|---|---|
| Represented by funded debt | $10,303,474,858 |
| Stock | 8,113,657,380 |
| Total | 18,417,132,238 |

This represents the plant, which, of course, must exist to enable the railroads to perform mail and other transportation services. It is almost too apparent to allude to the effect of such a policy. If applied generally to railroad or any business, it would, of course, bankrupt and destroy them.

His second serious error consists in arbitrarily and erroneously cutting out millions of car-foot miles used directly or incidentally in performing mail service, as reported to him by the railroads in the reports he used and changed to the extent of approximately 28 per cent. As the proportion of car-foot miles is the essential and material factor in his calculations, his erroneous action in not only cutting out such mail car-foot miles but changing the same instead to passenger car-foot miles, is fatal to any theory that the railroads are overpaid.

His third serious error is in dismissing without any consideration, either as to costs or compensation, the extensive and valuable service rendered by the railroads in performing what is commonly known as "messenger service," and which is the carrying of mails between the railroad stations and the post offices, where the latter are within one-quarter mile of the station. This is not a natural function of the railroad company, because it does not handle passengers, baggage, freight, or express beyond its station property, but is an extra service which the railroads perform and saves the Post Office Department from employing 30,000 to 40,000 contract messengers, and which saving former Postmaster General Meyer reported to the Senate committee, amounted to $4,393,000 per annum. A service of so great value is ignored in treating railway mail pay generally and in the calculations made in Document No. 105.

It is obvious that the railroads are not overpaid, as that document indicates, and no foundation exists for such opinions which may be based thereon. On the contrary, the reports which the Post Office Department required of the railroads demonstrated that they were very greatly underpaid for mail service. Perhaps best illustrated by figures which the Postmaster General does not appear to have submitted in his report, namely, that mail space earned only $3.23 per thousand car-foot miles, whereas the passenger space earned $4.42 per thousand car-foot miles. This indicates underpayment to the railroads of over $16,000,000 per annum, according to figures compiled by the committee on railway mail pay.

Unfortunately and prejudicially to their interests and justice, there has always seemed to exist a feeling that the railroads wefe paid excessively for carrying the mail. Such views have not been founded upon any competent inquiry, but upon mere assertion. It has been no uncommon thing to notice newspaper items asserting it, and having the effect of creating public sentiment in that direction when there has been nothing substantial in the way of official evidence to support such assertions.

The annual amount of railway mail pay has only seemed large and attracted attention because it represented the largest single item in the Post Office appropriation bill, and without full consideration of the immensity of the service rendered by the railroads receiving it, not only in the transportation throughout the year on all the railroads, and practically on all of the train service of the

country, but in hauling post offices in addition on this mileage for the distribution of the mail while it was in transit and for the performance of other incidental services.

The Government collected in 1910, $224,128,637.12 in postage, yet for the above service by the railroads only paid $49,405,311.27, while on the other hand it paid over $170,000,000 for the function of collection and delivery of that mail and the administration of the postal service. In other words, the railroads received about 22 cents out of the dollar the Government collected in postage for the transportation of the entire mail, whereas the Government used about 78 cents for collection, delivery, and administration.

In the past 10 years the amount paid the railroads in proportion to postal revenue has been very steadily decreasing from 34 to 22 cents per dollar, while the collection, delivery, and administration cost during the same time has increased from 66 to 78 cents per dollar. There is nothing in these facts to support any theory of overpay to railroads. In reality railway mail pay instead of representing a large proportion of railroad revenue is, indeed, very small. In 1910 it only amounted to 1.78 per cent of gross revenue, while the roads had to depend upon freight, passenger, and express business for 98.22 per cent of revenue. The railway mail pay does not even equal one-half of the taxes alone which the railroads pay.

The only thorough inquiry, previously made on the subject of railway mail pay, was by the commission of 1898, which, after two years' study and voluminous testimony, reported as follows:

"Upon a careful consideration of all the evidence and the statements and arguments submitted and in view of all the services rendered by the railways, we are of the opinion that 'the prices now paid to the railroad companies for the transportation of the mails' are not excessive, and recommend that no reduction thereof be made at this time." (S. Doc. No. 89, pp. 19, 22, 25, 29, 52d Cong., 2d sess.)

It demonstrated then that there was no foundation for the sentiment of overpay that existed, based upon mere assertion, and which culminated in the appointment of the commission. Nothwithstanding, a further agitation of the subject arose in 1907, with disastrous and, as we believe, decidedly unjust results to the railroads.

Congress had the subject before it, and by act approved March 2, 1907, reduced the railway mail pay $2,723,000 per annum, cutting the pay on weights and full postal cars. No sooner, however, was this done—in fact on the day the act was signed by the Executive—the Postmaster General issued order No. 165, commonly known as the "divisor order," which cut the railway mail pay $4,941,000 per annum more than Congress, by its own action at that time, regarded as justifiable.

The railroads have been protesting this double method of reduction from two sources was decidedly unjust and far beyond the wishes and action of Congress at that time.

Instead of a reduction of $2,723,000 per annum designed by Congress, an actual reduction of $7,664,000 has been made. Included in the reductions made by Congress was a cut in the pay of full postal cars, which, at that time, were of wooden construction. Since then not only has Congress required the reconstruction of the wooden cars to standards, but at the last session provided for their retirement and replacement by all-steel equipment and without any provision whatever for compensation to the railroads. Certainly the higher class of equipment required and the expense of substituting it for wooden cars, which must be abandoned, form a sufficient businesslike basis for a restoration of the rates that were in effect prior to the cut of 1907.

It is hoped the commission, of which you are chairman, will recommend a restitution to the railroads of these reductions in the form of an annual weighing, pay for mail-apartment car space, and compensation for messenger service.

The fairness of such action is especially emphasized at this time by the inauguration of the parcel post on January 1, next, which, apparently, will increase the volume of mail and for which no provision in the way of compensation has been made to railways, although such provision has been made to increase the pay of rural carriers, star-route carriers, and messenger service.

The principal service in connection with parcel post will be that performed by railroad companies in its transportation over the immense mileage of the country, and the justice of an equitable method of pay will, no doubt, appeal readily to every Member of Congress, as it can not be expected that it will be

transported by the railroads for nothing while the Government is collecting a revenue thereon, and considering that the railroads, at the present time, are being compensated for its transportation as express.

The Post Office Department, as a result of the complaints of the unjust reductions in 1907, called upon the railroads for information and statistics on forms which it had sent out. The railroads, with the object of assisting in collection of the data correctly and promptly, designated a committee on railway mail pay to assist and to study the results.

The committee, on behalf of the roads, has answered the three inquiries contained in your letter, in which views I fully concur.

For convenience there is attached a copy of the questions and answers thereto, submitted by the committee.

Yours, very truly,

E. J. PEARSON,
*First Vice President.*

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NEVADA COPPER BELT RAILROAD CO.,
*Salt Lake City, Utah, November 11, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: The writer does not believe the present plan of compensation for carrying mails is equitable in the following respects:

If he is not mistaken, all roads are paid alike for the service without regard to conditions. In some cases the cost of handling the mail is greatly in excess of what it is in others and should be paid for accordingly. A road having a long haul can certainly carry the mail at a less price per mile than one having a short haul. If a flat rate is allowed in all cases it should be sufficient so as not to work a hardship upon the small, weak roads. The writer understands that the present compensation is not sufficient in a great many instances to pay the expense incurred in handling mail.

I would also suggest that the railroad company ought not to have to deliver the mail beyond its stations, but that it should be carried by the postmaster from the station to the post office. The writer also understands that where the mail is carried in apartment cars where part of the space is used for express and baggage, that the mail matter does not pay for its proportion of the dead space in the car, but throws an undue burden upon the express, baggage, and passenger service.

Would it not be better to allow each of the mail-carrying roads to fix its own tariff the same as it does in carrying other freight or express, and let it be subject to revision by the Interstate Commerce Commission?

It seems to us, however, that the present law, supplemented by H. R. 4044, would be a just and equitable basis for compensation. We understand that there have been several hearings in Washington on this bill, and that those Members of the House who were present were convinced of the justice and equity of its provisions.

I do not believe that it is right to make the Postmaster General a judge of what the compensation should be, in view of the fact that it is to his interest to make as good a showing as possible in his department, so that assuming that he is ever so honest and capable, he is not in as good a position to judge fairly as an entirely disinterested person or board.

We understand that Senate bill 7371 was based upon the Postmaster General's report in House Document No. 105, and that according to his recommendations the pay of the railroad for carrying mail is to be cost plus 6 per cent, and that in arriving at the cost he only takes into consideration operating expenses and taxes. This certainly is not just, but would amount almost to confiscation. If it is going to be fixed on a percentage basis, the cost of the mail should certainly bear its proportion of all of the expenses. If we take only part of them into account we may leave out enough to entirely wipe out the profit and more. The mail service should be made to carry its proportion of overhead charges, interest on capital, upkeep of the road, and all other expenses that are necessary in operating a reasonably well-operated road. Anything less than this imposes a burden upon a small road, which it can not afford to carry, and the Government has no right to impose any such burden.

Yours, very truly,

W. C. OREM,
*President Nevada Copper Belt Railroad Co.*

NEVADA COUNTY NARROW GAUGE RAILROAD CO.,
*Grass Valley, Cal., November 7, 1912.*

Hon. JONATHAN BOURNE,
*Washington, D. C.*

DEAR SIR: Yours of September 11 at hand and contents carefully noted, and in answer, considering the effect on this road, beg leave to answer as follows to question No. 1:

The present plan of compensation is not an equitable one to the railroads unless the extra weight of the mail carried during the biennial election contest for Representatives, and the four-year contest for President, and the franking privilege then used be taken into consideration and the roads compensated therefor. Weight, value, and time being the chief factors in making all rates, why not continue the present plan until a better one is found? The Post Office Department is not now paying us an exorbitant figure for the mail service, the ascertained weight being carried by us 52,200 pounds per annum, carried on seven trains, for which we receive an annual compensation of $2,021, from which we are required to pay $180 for the transfer of the mail to and from the terminus at Nevada City and the post office, and about a like amount in the time of our employees at Colfax for a like service there, so that the mail nets us about $1,700 per annum, or a little over 30 cents per 100 pounds.

The express company pays us an average of 34 cents per 100 pounds on their business, and that company provides a messenger on the trains and one at each end to give and receive packages and check the same, while our employees are required to do that service for the mail. Can't the post office pay as much?

Our average first-class freight rate is 20 cents per 100 pounds. Our passenger rate is 7½ cents per mile, and he takes himself on and off the train and pays us at the rate of about $1 per 100 pounds for carrying him the same distance we carry the mail for 30 cents, and as the tables submitted by the report of the Second Assistant Postmaster General are based on passenger service, we fail to see any justice in the proposed reduced rates.

Question 2. The principle of the plan may be all right, but the terms proposed are most certainly unjust for the following reasons:

It proposes to place the compensation for carrying the mail at $25 or less per mile of road per annum.

The Postmaster General may order new or additional service during a term without increase of compensation, but may decrease compensation for any reduction in service. Are not these beautiful and just provisions for the Government, but where does the carrier get off?

This will cut our revenue to $550 or less per annum from our present return of $1,700, and this in the face of the fact that with the first of the year a parcel-post service will be inaugurated, which will no doubt cut heavily into the express business and thus diminish our revenue from that source. It will add the loss of the express business to the postal business, and the carrier will be required to transport it as mail matter, thus our return of between $4,000 and $5,000 per annum from the express will be cut possibly one-half, and as I understand from the bill we would have to accept not more than $550 for all this, and whatever new business the cheap postal service will create under a penalty of $5,000 for refusal.

Another provision of the bill requires the railroads to carry all accredited agents and officers of the Post Office Department, when in the exercise of their duties, free of charge.

Why should we be required to do this? We have to place a post-office stamp on every piece of mail matter we send out, whether on Government requirements or on our private business. The Government did not build or help build this road, the stock and bondholders built it entirely, and all contracts we have with other corporations requiring free transportation, it becomes reciprocal, and we are compensated thereby. Why not the Government do likewise or cut this provision out entirely?

Our road cost about $700,000 to build. Our returns, as shown by our reports made to the Interstate Commerce Commission, to which you are respectfully referred, showed our road made a net revenue last year of $24,544, being 3½ per cent on the investment. For 23 years this road paid no dividends. By strict economy it is now paying a 4 per cent dividend to its stockholders from its earnings.

I trust you will give the foregoing careful consideration and view the situation from the carrier's point of view as well as the Government's.

If a change of plan is necessary or desirable, I suggest you consider H. R. 4044, prepared by the Short Line Railroad Association, as furnishing a plan more equable to all concerned, but to the provisions of the Senate bill 7371, recommended by you, we earnestly protest, as the returns from it would be totally inadequate, and the penalty very harsh and entirely uncalled for.

Respectfully.

———— ————,
*Superintendent and Treasurer.*

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NEW PARK & FAWN GROVE RAILROAD,
*New Park, Pa., September 19, 1912.*

Mr. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Replying to your letter of the 11th instant, regarding plan of compensation for service of carrying the mails, beg to say in answer to questions 1 and 2 that I am not in position, with the limited knowledge I have, to answer these; would say that, as far as our line is concerned, we are satisfied with the present compensation, but would not be satisfied with any less.

Regarding question 3 I have no plan that I could offer you.

Hoping this will be satisfactory, I am,

Yours, respectfully, JOHN H. ANDERSON, *President.*

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NEW RIVER, HOLSTON & WESTERN RAILROAD CO.,
*Narrows, Giles County, Va., October 26, 1912.*

Mr. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: We note your recent communication regarding Senate bill 7371, and thank you very much for calling our attention to same.

We are only a 20-mile road and naturally think the present compensation for carrying the mails small enough.

Yours, very truly, F. E. BASTIAN, *Manager.*

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NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.,
*New Haven, Conn., September 20, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: Your letters to President Mellen, asking for comments upon S. 7371, have been duly received.

I note that the bill is substantially that recommended by the Postmaster General in House Document No. 105. I hope to have an opportunity of making specific criticisms of it before your committee at some of the hearings to be held, I assume, between now and the opening of Congress. For the present I shall offer the following general criticisms:

The business of carrying mail for the United States Government should be established upon a similar basis to that of carrying commodities for other shippers. Neither the rate nor the cost of performing the service should be determined in the first instance by the Postmaster General. The Interstate Commerce Commission should be charged with that duty, upon representations made by the Post Office Department on the one hand and by the railroad company on the other, with full authority on the part of the Interstate Commerce Commission to verify, by investigation or otherwise, all statements and reports made by each party.

The Interstate Commerce Commission and not the Postmaster General should be authorized and directed to readjust the pay after the investigation aforesaid. When that has been fixed and the service prescribed, the Postmaster General and the railroads should each be held strictly to the performance of the contract. Additional service required by the Post Office Department should be anticipated by the commission and the rate fixed for it. Failure to perform the service prescribed in the contract should meet with a penalty anticipated and prescribed by the Interstate Commerce Commission. It is not fair nor reasonable to permit the Postmaster General to order new or additional service during the term the adjustment shall have been made without giving additional compensation therefor during such term; nor, on the other hand, is it fair that

service prescribed by contract, abandoned because the same has become unnecessary, should entitle the railroads so abandoning the service to as much pay as they had previously received.

It is proper to embrace in the contract transportation of those engaged in the actual work of sorting the mails and to provide compensation for their carriage as a part consideration for the contract. The Post Office Department ought not to ask free transportation, which it is the policy of the Government to forbid to other shippers. Much more should this apply to post-office inspectors and their accredited agents, who are traveling on the regular trains of the railroad. They should be required to pay their fare the same as any other passenger and charge the same as part of their expense account to the department.

I have no criticism to make of the specifications for R. P. O. and apartment cars used for Railway Mail Service. Undoubtedly they should be of such construction as should fit them for the service and should be first class and sanitary in every respect; but the cost of constructing and maintaining them should be reckoned in as a part of the compensation to be paid to the railroad companies and any change in existing specifications should be reflected in the adjustment of compensation. I think also that there should be taken into consideration the class of trains upon which the mail is carried. Upon certain of our trains which make very fast time and which are limited in equipment an additional R. P. O. car would require a slowing of the schedule. On other trains a schedule can easily be made with one or even more additional R. P. O. cars. It is a question, in frequent service such as we give, running, for instance, substantially 14 trains each way per day between Boston and New York, whether it is essential that mail should be sent on our limited trains and so arrive in Boston or New York half an hour or, at most, an hour before a slower train. If the department insists upon sending mail upon these fast trains, they should be prepared to pay for it and for the motive-power equipment necessary to make the time. In other words, my criticism generally of the bill is that it purports to make a contract between the Post Office Department and the railroads and then leaves it in the power of the Postmaster General to modify the terms of that contract in his discretion without providing any additional compensation or in fact giving the railroads reasonable notice of the proposed changes.

As I have said, I will criticize this bill more in detail before your committee if you will give me an opportunity to appear before you between now and the 1st of December.

Very truly, yours. E. G. BUCKLAND, *Vice President.*

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NORFOLK & WESTERN RAILWAY CO.,
*Roanoke, Va., October 11, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: I have received your letter of the 11th ultimo inclosing me a copy of Senate bill 7371, embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for the transportation of the mails.

You are aware that this matter is of so much importance to the railway companies of this country that they have appointed a special committee on railway mail pay, which committee has been considering from time to time the various phases which this matter has assumed. Of course, the special consideration of your letter has been referred to this committee, and I am in receipt of a copy of the committee's communication to you of the 3d instant.

While I indorse what this committee has transmitted to you, representing as it does almost the entire railway mileage of the country, yet I feel that it is proper for me to state two general objections to the bill which you submit and which would seem to me to be fatal to the bill so far as it is intended to provide fair and equitable treatment to the railroads of the country.

First. The bill provides that the Postmaster General shall apportion the revenues and expenses of the railway companies in such manner as to him shall be deemed fair and equitable in order that he may determine the cost to each railroad company of carrying the mails on its road.

You, of course, are aware that this imposes upon the Postmaster General a task which has not yet been successfully performed by anyone. Although for a number of years many of the best minds of the country have studied the problem, no conclusions have yet been reached which would justify the formu-

lation of rules establishing any uniform units upon which cost of the particular business can be predicated.

This bill does not provide for any representation by the railway companies in the investigations which are intended to bring about a conclusion as to what it does cost the particular company to carry the mails, and the only appeal that is permitted is to the Interstate Commerce Commission, whose decision shall be based upon such papers as the Postmaster General shall furnish to the commission and which, in his judgment, are deemed essential to an understanding of the method adopted by him in fixing the compensation.

If the railway companies have any rights which the law shall respect, it would seem to me that in so important a matter involving so vast an amount of money the railway companies would be entitled to the opportunity to present their views somewhere or somehow before a disinterested tribunal.

All of us must recognize that a zealous Postmaster General is properly interested in reducing the cost of service in his department, and I take it that in approaching the subject from that viewpoint he would necessarily be disposed to minimize the cost to the railway companies of performing the mail service.

Second. The second objection to the bill that seems to me to be fatal is the fact that on its face the bill contemplates the partial confiscation of the property of the railroads of the country to the extent to which their instrumentalities are used in the service of the Government in carrying its mails.

The only compensation to be accorded to the railways under the bill is to reimburse to them the cost of the service as ascertained by the Postmaster General, to which cost is added 6 per cent of such cost.

I am sure that a moment's reflection would satisfy any experienced mind that in the event all of the business of the railway companies was done on this basis, bankruptcy of all the roads would result. It does not seem to me that the Government should by law undertake to force upon the railway companies a schedule of charges which could not be carried into effect in connection with all the business; and the imposition of the scheme, if carried on successfully, would simply mean that the shippers of the country would pay for the service performed for the Government, and it does not seem to me that the Government can properly put itself in such a position. This is not its policy with regard to any other service performed for the Government, and I fail to see any just reason why a discrimination in this respect should be imposed upon the railway companies.

The proposed act seems to contemplate the doing of the mail service on "force account," which is a familiar form of service in the simpler contracts for labor and material, but I call your attention to the fact that even in those contracts the compensation in the ordinary transactions varies from 10 to 25 per cent on the actual cost of labor and material, the variation being based upon the complexity of the machines and instrumentalities incident to the construction of the work and the risks involved. It must certainly appear to the fair-minded person that the instrumentalities used by the railway companies in performing this governmental service are of a high degree of complexity and involve no little risk.

Very truly,

L. E. JOHNSON, *President.*

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PACIFIC & IDAHO NORTHERN RAILWAY CO.,
*New Meadows, Idaho, October 9, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SENATOR BOURNE: In reply to your communication of September 11, relative to Senate bill 7371, embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for transportation of the United States mails, I beg to state that I see but little fairness or merit in the bill in question. In my judgment, confirmed, I believe, by the admitted facts, there has at all times been a great hardship worked upon the smaller lines of railroad, at least in the adjustment of compensation for space assigned in our rolling stock for the exclusive use of the Railway Mail Service. If there is to be a fixed rate, applying alike to all mail-carrying roads, the present law, if amended in conformity with House bill 4044, prepared by the Short Line Railroad Association, would seem, in my judgment, to be equitable to all concerned.

I believe that the practice of weighing mail at intervals of four years works a great hardship upon roads in the West in districts which are developing, as

is ours, very rapidly. As a Western man you will appreciate that the volume of mail may ofttimes multiply several times in four years, which places a pioneer railroad in the position of carrying for the Government a weight far in excess of that upon which its compensation is based. The underlying principle of the plan embodied in Senate bill 7371 seems to me to be arbitrary and unjust as a basis of compensation. A discussion of this feature involves the broad question as to the factors to be considered in determining the cost of carrying mail. I understand that the honorable Postmaster General recognizes only two factors in computing the cost; that is, operating expenses and taxes; and I take it these two items are the only ones considered by him in making his reports to Congress in railway-mail pay Document No. 105. The element of capital and essential burdens incident to the upkeep of the road do not appear to be considered. In addition the Postmaster General is given the power to compute the mail compensation on the car-foot miles devoted to the mail service. This would compel a large percentage of the smaller railroads to charge at least 95 per cent of the cost of operating the car against the passenger and express service, relieving the mail service from paying its proper proportion of the dead space, and this notwithstanding that the dead space for which the Railway Mail Service is directly responsible may not be utilized in any way by the railway company for other than Railway Mail Service purposes. As a matter of fact and of equity, I will state to you that so far as compensation is concerned and dismissing entirely for the time being the questions of public policy and of facilitating the mail service in the interest of the communities which we serve, I should be most happy as a cold-blooded business proposition to dispense entirely with carrying the United States mail upon the basis of compensation which we now receive. That being true, it can readily be seen that I could not consistently acquiesce in a measure that contemplates a reduction of nearly one-half in that compensation. It seems to me peculiarly arbitrary, unjust, and unreasonable to stipulate "that it shall be unlawful for any railroad company to refuse to carry the mails at the rate of compensation provided by law, when and for the period required by the Postmaster General so to do." The fine of $5,000 for refusal is also unreasonable, unjust, and unfair.

To conclude, if the postal rates now in effect can not be amended to conform with House bill 4044, then it would seem to me to be fair and reasonable and in the interest of all concerned to repeal the existing laws governing the compensation to railroads for the carrying of mail and to place the entire matter of compensation for such service in the hands of the Interstate Commerce Commission.

There is another feature involved which is worthy of consideration and which should appeal to the sense of fairness of any Western Representative or Senator; that is, that conditions differ very widely as between railroads in different parts of this country, and that what might be fair and equitable as applied to a railroad in a densely populated district, might, and probably would be, distinctly unfair and unreasonable as applied to a pioneer railroad in the growing West.

You will doubtless agree with me that whatever views we may hold upon various questions involved in the treatment of public-utilities corporations or common carriers, the fact remains that new railroads and extensions of lines already existing are absolutely essential in order that the Western States, now in the throes of development, shall achieve their fullest destiny. In the case of transcontinental railroads, you will appreciate that the through traffic in which they participate is an important item in revenue. In the case of local or feeder lines, they are dependent exclusively upon the development of their local district for their revenue, and the basis of compensation by the Government for any service rendered to it should be so adjusted in the best interest of the people at large so as not to discourage the investment of capital, which has the world as its field of operation in additional railroad construction in the thinly settled West.

Yours, very truly,

E. M. HEIGHO.

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PAUL SMITH'S ELECTRIC LIGHT & POWER & RAILROAD CO.,
*Paul Smiths, N. Y., September 16, 1912.*

MR. JONATHAN BOURNE, JR.,
*Washington, D. C.*

DEAR SIR: Replying to your letter of the 11th instant, inclosing Senate bill 7371, we feel that $42.75 per mile of trackage per annum for hauling mail is

fair to both the Government and the railroad company, considering the space occupied and the weight carried.

Very truly, yours,

PAUL SMITH'S ELECTRIC LIGHT & POWER & RAILROAD CO.

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[Atlantic City Railroad, Catasauqua & Fogelsville Railroad, Gettysburg & Harrisburg Railway, Northeast Pennsylvania Railroad, Perkiomen Railroad, Philadelphia & Chester Valley Railroad, Philadelphia & Reading Railway, Philadelphia, Newtown & New York Railroad, Pickering Valley Railroad, Reading & Columbia Railroad, Rupert & Bloomsburg Railroad, Stony Creek Railroad, the Williams Valley Railroad.]

## PHILADELPHIA & READING RY.

OFFICE OF VICE PRESIDENT, READING TERMINAL,
*Philadelphia, October 15, 1912.*

Mr. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Referring to your letters of September 11, addressed to President Baer to each of the above companies, inclosing copy of Senate bill 7371, introduced by you by the direction of the Senate Committee on Post Offices and Post Roads, embodying a plan recommended by the Post Office Department for determining the compensation to be paid to railroad companies for the transportation of mails, and requesting replies to inquiries bearing on the present plan, and that introduced in your bill.

The subject of mail-transportation costs and revenues has been a familiar matter since the preparation of data for the Post Office Department in 1909, and I have before me a copy of a letter dated October 3, addressed to you by the committee on railway mail pay in reply to your inquiries, in advance of a response now in course of preparation by the committee on House Document No. 105. This communication fairly sets forth our views in regard to compensation for the carriage of mails, and we indorse the expressions contained therein. We would further ask your attention to the display of the above companies under transportation of mail, on pages 276 and 277 in Document No. 105, which shows a loss from mail services for the month of November, 1909, of $3,652.81. This loss is against a total monthly revenue from mail service during that period of $11,797.66, and while this shows a large percentage of loss, we feel that the basis under which the car-foot miles were arbitrarily developed by the Post Office Department in preparing these statistics of cost does not equitably state our position in cost of carrying mail.

Briefly, the plan followed by the Post Office Department in producing the car-foot miles in mail service of 3,270,478, as shown in Document No. 105, shows that they made an arbitrary assignment of space in apartment cars on basis of space reported by Railway Mail Service as being necessary for that train, and in closed-pouch service an arbitrary assignment of space was made based on weight, which was produced on an average fixed weight for each mail pouch and sack.

The figures submitted by this company in its reports were 5,226,386 car-foot miles, and were on a basis of space in apartment cars, and space in closed-pouch service in baggage and combination cars, and the space used by each mail, baggage, and express in apartment, plus the proportion of dead space each bears to the total of the space occupied.

We feel it is necessary to provide carrying facilities in the several branches of the passenger service both as to space in car apartment to properly care for and expedite the handling of the several classes of matter, and in the seating capacity of coaches to care for the traveling public, and that each of the several classes of matter take care of its proper proportion of dead or unused space. This arbitrary assignment of space by the Post Office Department resulted in the reduction of 1,955,908 car-foot miles, or 37.42 per cent.

The above is respectfully submitted for your consideration.

I am, yours truly,

THEODORE VOORHEES,
*Vice President, President Williams Valley R. R.*

THE PITTSBURGH, LISBON & WESTERN RAILROAD CO.
*Lisbon, Ohio, September 21, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I beg to acknowledge the receipt of yours of the 11th instant, submitting copy of Senate bill No. 7371. This bill I have read. I am now unable to state whether it would afford the relief that seems to be due to the short-line railroads.

This company carries United States mail over 25 miles of road on four trains each day, and received therefor $1,566.52 per annum, less fines. This makes practically $5 per day. The space required in the car is about 64 square feet. For this space, carrying the mail and the clerk, the company received about 5 cents per mile.

I am advised that operations of many other short lines show about the same results. It seems to me that every one must concede that this compensation is clearly inadequate for the service rendered. Out of the compensation received the railroad company is required to pay about $10 per month for delivering mails from railroad stations to post offices.

I trust that some plan may be arrived at which will confer upon the Postmaster General authority to put the short-line railroads on a more equitable basis,

Yours, truly, N. B. BILLINGSLEY, *President.*

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RARITAN RIVER RAILROAD CO.,
*Jersey City, N. J., September 19, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Replying to your circular letter of September 11, instant, beg to advise that this railroad handles a very small amount of mail matter between South Amboy, N. J.—our junction point with the New York & Long Branch Railroad—and Parlin, N. J. (There are no intermediate post offices on our line between these two points.)

The distance is 4 miles, and we receive, at the present time, $15.67 monthly for this service.

Owing to the insignificant amount of this traffic, we do not feel that we are in a position to express an opinion as to an equitable method to be pursued in compensating railroad companies for carrying mail matter.

Very truly, yours,

WM. G. BUMSTED, *President.*

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ROARING FORK RAILROAD CO.,
*Blackwood, Va., September 14, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: We have your letter of September 17, inclosing copy of Senate bill 7371, indorsed by you, embodying a plan for determining the compensation to be paid to railroad companies for the transportation of the mails.

In reply to the first question, we do not believe that the present plan is an equitable one, for the reason that the small roads do not receive adequate compensation and the larger systems are very much overpaid.

2. We believe bill 7371 is very proper, and we have no comments to make on it.

3. It is a very hard matter to determine on a desirable plan for compensating railroad companies for transportation of the mails. I believe that this question could be submitted to an impartial board, who would secure all necessary data, and then could determine a fair and just compensation.

Yours, very truly,

ROARING FORK RAILROAD CO.,
By C. J. CUTTING, *General Manager.*

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SEABOARD AIRLINE RAILWAY,
*Norfolk, Va., October 21, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I beg to submit the following replies to interrogatories contained in your circular letter dated September 11, addressed to the president of this company:

1. The basis of the present plan of compensation is fair in principle, but the law has been supplemented by so many regulations and administrative requirements that it does not provide fair compensation to railroads generally, as shown by data compiled by the committee on railway mail pay in answer to Document No. 105, Sixty-second Congress, first session.

2. The underlying principle of the plan embodied in Senate bill 7371 is not, in my opinion, a proper basis for compensation. No rate is or ever has been based upon cost of operation. Such a plan presents many varying and not readily determinable conditions which would give rise to almost insurmountable difficulties. It would place a premium upon inefficiency and a very great accounting burden upon the railroads. It does not provide for any return whatever upon investment, which return is absolutely necessary to the preservation of corporate existence.

The operating expenses and taxes of the railroads for the year ended June 30, 1910 (see Interstate Commerce Commission report), amounted to $1,920,665,026; 6 per cent of that amount is $115,239,922, whereas for interest, rentals, etc., for the same period $560,905,952 was required. It will therefore readily appear that the plan advocated by the Postmaster General and proposed in Senate bill 7371, if applied to all the business of the railroads, would produce only 20.55 per cent of the amount necessary to keep them out of the hands of receivers. It is scarcely conceivable that Congress would wish to fix a rate for the transportation of mail on railroads which would make the mail service a tax upon every other service rendered by them.

The collection and preparation of the data contained in Document No. 105 required nearly two years' time. We may fairly presume each annual adjustment under the plan proposed would not require less time, would be influenced more or less by administrative policy, give rise to more or less contention, and must, of necessity, place the railroads in a position where they would never be able to tell what they are to receive for the service they perform, while Congress would be called upon to appropriate money on a speculative basis.

The practically unlimited authority which it is proposed in the bill to confer upon the Postmaster General as to the determination of cost and administration are as objectionable as the principle involved. These objections are well set forth in an article over your signature in the August number of the Review of Reviews.

3. In their answer to Document No. 105 the railroads have shown that compensation for mail transportation is not remunerative as compared with other elements of passenger-train revenue. They have frequently demonstrated in passenger-rate cases that earnings from passenger service are not excessive. Our conclusion, therefore, is that reductions in pay for the transportation of mails on railroads by acts of Congress and by Executive orders have not been justified by the evidence presented; that the rates provided by the law of 1873 (R. S. 4002) should be restored; that pay for railway post-office cars, as provided in Revised Statutes, 4004, should be restored; and that pro rata space pay should be allowed for mail apartments in cars. The law should be definite and specific in terms, limiting service to rail distance and relieving railroads of burdensome regulations and requirements at present enforced by fines and deductions, which are not incident to any other class of transportation.

Very truly, yours,

CHAS. R. CAPPS, *Vice President.*

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SIERRA RAILWAY CO. OF CALIFORNIA,
*Jamestown, Cal., October 16, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Referring to your letter of September 11, addressed to Mr. T. S. Bullock, requesting views of this company as to the merits of Senate bill 7371 as applying to railway mail pay.

I am in receipt of a copy of the letter addressed to you under date of October 3 by the committee on railway mail pay, and same embodies the views of this company in the main. There are one or two points in which I would go farther than the stand taken by the committee.

*Clause D, question 1.*—In the committee's reply they desire a fair allowance to the railroads for the side and terminal messenger service which they perform for the Post Office Department. In my opinion the railroads should be relieved of this service altogether. It is not a question of railway transportation in the general sense. Carriers do not perform this or a like service for other patrons of the road, and I see no good reason why the Government should not make other arrangements for this service.

*Paragraph E, question 1.*—The committee say, "That all rates of pay should be definite and not subject to the discretion of the officers of the Post Office Department." On this point I would particularly specify that no penalties should be exacted from the carriers on account of delays or failures to handle the mails except in cases where such delayed mail may be diverted over other routes. I see no reason for penalizing a carrier simply for the reason they are a few hours late or did not move the mail on a specific train when the service is performed later.

The mail is transported by the railroad lines. The persons receiving the mail are not allowed anything by the Government for the delay, and it is only an arbitrary reduction going to the credit of the Government and does not in that sense correspond with other railway transportation.

Yours, very truly, S. H. SMITH.

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SOUTH GEORGIA RAILWAY CO.,
*Quitman, Ga., October 7, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Replying to your letter of recent date in reference to the cost of handling the mails via our line.

I will say that the pay is entirely inadequate and but for the interest of the people along our line we would not consider the expense of equipment and cost of handling at the price we receive.

To inconvenience the people from whom we get our living would, of course, react upon us and for that reason we continue the hardship.

I would respectfully call your attention to detailed answers to your questions made by Mr. Ralph Peters, acting chairman of committee on railway mail pay of various lines, which I think fully covers most all phases of this matter and I fully indorse what he says in answer to your questions.

Yours, truly,

J. W. OGLESBY, *President.*

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SOUTH GEORGIA RAILWAY CO.,
*Quitman, Ga., October 14, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: As a supplement to my previous letter in reference to mail compensation.

We have been reduced $50 per month in compensation for handling mail over our 77 miles of road under the last weighing period. They claim that we are handling less mail than we handled four years ago. while our territory is constantly growing and we can show by every postmaster along the line that he is handling more mail to-day than he has ever handled.

I will be glad to have the committee investigate the rather peculiar conditions that exist at the present.

Yours, very truly, J. W. OGLESBY, *President.*

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ST. LOUIS SOUTHWESTERN RAILWAY CO.,
*St. Louis, November 29, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I have to acknowledge receipt of your letter of September 11, 1912, inclosing a copy of Senate bill 7371, and requesting views upon three specific inquiries on the subject of railway mail pay, which, with answers thereto, are contained in a memorandum attached.

The real issue is whether the railroads are overpaid or underpaid for mail transportation. The railroads have been protesting, since 1907 particularly, that they were underpaid, and that reductions of about $8,000,000 per annum made in that year were unjust to them, and that some form of adjustment should be made.

The Senate Post Office Committee Report No. 955, Sixty-second Congress, second session, July 23, 1912, page 25, which accompanied the Post Office appropriation bill, stated that "the committee is of the opinion * * * that the rates are excessively high."

This view, presumptively, is founded upon the report of the Postmaster General, Document No. 105, wherein he purports to show that the railroads are overpaid

$9,000,000 per annum, which might be saved by enactment of a bill proposed by him and introduced by your committee as Senate bill 7371.

There is no proof in his report that the railroads are overpaid; on the contrary, even superficial analysis explodes any such theory, because the methods employed in making his deductions are fatally in error and fortunately easily demonstrated.

His first serious error is in overlooking the right of railroad property or capital to earnings, which is a recognized primary and constitutional factor in all rate cases.

This property is, of course, of enormous value, as follows (I. C. C. Report, 1910):

| | |
|---|---|
| Represented by funded debt | $10,303,474,858 |
| Stock | 8,113,657,380 |
| Total | 18,417,132,238 |

This represents the plant, which, of course, must exist to enable the railroads to perform mail and other transportation services. It is almost too apparent to allude to the effect of such a policy. If applied generally to railroad or any business it would, of course, bankrupt and destroy them.

His second serious error consists in arbitrarily and erroneously cutting out millions of car-foot miles used directly or incidentally in performing mail service, as reported to him by the railroads in the reports he used and changed to the extent of approximately 28 per cent. As the proportion of car-foot miles is the essential and material factor in his calculations, his erroneous action in not only cutting out such mail car-foot miles but changing the same instead to passenger car-foot miles is fatal to any theory that the railroads are overpaid.

His third serious error is in dismissing without any consideration, either as to costs or compensation, the extensive and valuable service rendered by the railroads in performing what is commonly known as "messenger service," and which is the carrying of mails between the railroad stations and the post offices where the latter are within one-quarter mile of the station. This is not a natural function of the railroad company, because it does not handle passengers, baggage, freight, or express beyond its station property, but is an extra service which the railroads perform, and saves the Post Office Department from employing 30,000 to 40,000 contract messengers, and which saving former Postmaster General Meyer reported to the Senate committee amounted to $4,393,000 per annum. A service of so great value is ignored in treating railway mail pay generally and in the calculations made in Document No. 105.

It is obvious that the railroads are not overpaid, as that document indicates, and no foundation exists for such opinions which may be based thereon. On the contrary, the reports which the Post Office Department required of the railroads demonstrated that they were very greatly underpaid for mail service—perhaps best illustrated by figures which the Postmaster General does not appear to have submitted in his report, namely: That mail space earned only $3.23 per thousand car-foot miles, whereas the passenger space earned $4.42 per thousand car-foot miles. This indicates underpayment to the railroads of over $16,000,000 per annum, according to figures compiled by the committee on railway mail pay.

Unfortunately and prejudicially to their interests and justice there has always seemed to exist a feeling that the railroads were paid excessively for carrying the mail. Such views have not been founded upon any competent inquiry but upon mere assertion. It has been no uncommon thing to notice newspaper items asserting it and having the effect of creating public sentiment in that direction when there has been nothing substantial in the way of official evidence to support such assertion.

The annual amount of railway mail pay has only seemed large and attracted attention, because it represented the largest single item in the Post Office appropriation bill, and without full consideration of the immensity of the service rendered by the railroads receiving it, not only in the transportation throughout the year on all the railroads, and practically on all of the train service of the country, but in hauling post offices in addition on this mileage, for the distribution of the mail while it was in transit, and for the performance of other incidental services.

The Government collected, in 1910, $224,128,637.12 in postage, yet for the above service by the railroads only paid $49,405,311.27, while on the other hand, it paid over $170,000,000 for the function of collection and delivery of that mail and the administration of the postal service. In other words, the railroads received about 22 cents out of the dollar the Government collected in postage for the transportation of the entire mail, whereas, the Government used about 78 cents for collection, delivery, and administration.

In the past 10 years, the amount paid the railroads in proportion to postal revenue has been very steadily decreasing from 34 to 22 cents per dollar, while the collection, delivery, and administration cost during the same time has increased from 66 to 78 cents per dollar. There is nothing in these facts to support any theory of over-

pay to railroads. In reality, railway mail pay, instead of representing a large proportion of railroad revenue, is indeed very small. In 1910 it only amounted to 1.78 per cent of gross revenue, while the roads had to depend upon freight, passenger, and express business for 98.22 per cent of revenue. The railway mail pay does not even equal one-half of the taxes alone which the railroads pay.

The only thorough inquiry previously made on the subject of railway mail pay was by the commission of 1898, which, after two years' study, and voluminous testimony, reported as follows:

"Upon a careful consideration of all the evidence and the statements and arguments submitted, and in view of all the services rendered by the railways, we are of the opinion that 'the prices now paid to the railroad companies for the transportation of the mails' are not excessive and recommend that no reduction thereof be made at this time." (52d Cong., 2d sess., S. Doc No. 89, pp. 19, 22, 25, 29.)

It demonstrated then that there was no foundation for the sentiment of overpay that existed, based upon mere assertion, and which culminated in the appointment of the commission. Notwithstanding, a further agitation of the subject arose in 1907, with disastrous, and, as we believe, decidedly unjust results to the railroads.

Congress had the subject before it, and by act approved March 2, 1907, reduced the railway mail pay $2,723,000 per annum, cutting the pay on weights and full postal cars. No sooner, however, was this done, in fact on the day the act was signed by the Executive, the Postmaster General issued Order 165, commonly known as the "divisor order," which cut the railway mail pay $4,941,000 per annum more than Congress, by its own action at that time, regarded as justifiable.

The railroads have been protesting this double method of reduction from two sources was decidedly unjust and far beyond the wishes and action of Congress at that time.

Instead of a reduction of $2,723,000 per annum, designed by Congress, an actual reduction of $7,664,000 has been made. Included in the reductions made by Congress was a cut in the pay of full postal cars, which at that time were of wooden construction. Since then not only has Congress required the reconstruction of the wooden cars to standards, but at the last session provided for their retirement and replacement by all steel equipment, and without any provision whatever for compensation to the railroads—certainly the higher class of equipment required—and the expense of substituting it for wooden cars, which must be abandoned, for a sufficient businesslike basis for a restoration of the rates that were in effect prior to the cut of 1907.

It is hoped the commission, of which you are chairman, will recommend a restitution to the railroads of these reductions in the form of an annual weighing, pay for mail apartment car space, and compensation for messenger service.

The fairness of such action is especially emphasized at this time, by the inauguration of the parcel post on January 1 next, which apparently will increase the volume of mail, and for which no provision in the way of compensation has been made to railways, although such provision has been made to increase the pay of rural carriers, star-route carriers, and messenger service.

The principal service in connection with parcel post will be that performed by railroad companies in its transportation over the immense mileage of the country, and the justice of an equitable method of pay will, no doubt, appeal readily to every Member of Congress, as it can not be expected that it will be transported by the railroads for nothing while the Government is collecting a revenue thereon, and considering that the railroads at the present time are being compensated for its transportation as express.

The Post Office Department, as a result of the complaints of the unjust reductions in 1907, called upon the railroads for information and statistics on forms which it had sent out. The railroads, with the object of assisting in collection of the data, correctly and promptly designated a committee on railway mail pay to assist and to study the results.

The committee, on behalf of the roads, has answered the three inquiries contained in your letter, in which views I fully concur.

For convenience, there is attached a copy of the questions and answers thereto submitted by the committee.

Yours, very truly,

F. H. BRITTON,
*President and General Manager.*

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SUSQUEHANNA, BLOOMSBURG & BERWICK RAILROAD CO.,
*Watsontown, Pa., October 12, 1912.*

Mr. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Referring to your recent letter, accompanied with Senate bill 7371, upon the subject of determining compensation to be paid railroad companies for the transportation of United States mail.

We have read over the bill carefully and also your letter upon the subject. It recalls to us a former communication addressed to Mr. Joseph Stewart, Second Assistant Postmaster General, Post Office Department, Washington, D. C., dated January 12, 1910. This letter was accompanied with statements in detail, showing the cost to this company for carrying United States mail.

I may say that our mail route is short, viz, 22.7 miles. Our passenger train consists of one compartment car for mail and baggage and one passenger coach. The baggage end of the compartment car is used daily for baggage, express, and local freight. The mail compartment is used exclusively for United States mail and a mail clerk.

At the time the above-mentioned letter was written to Mr. Stewart it was upon his request that we furnish the information covering one month's period, viz, from midnight, October 31, to midnight, November 30, 1909. Conditions at the present time do not vary much from that date. This estimate was worked out upon a per square foot of floor space basis, covering the distance mails were carried, and includes all items which we consider properly chargeable to the mail portion of our business. These figures show that it cost this company for the month of November, 1909, $182.10 for the mail-carrying portion of our business. We received from the Government for this service $97.93. It will be noticed, therefore, that this service is being handled by our company at a loss of nearly $100 per month, figured upon the exclusive use of the the floor space necessary to handle the mail.

We believe this estimate to be not far from correct, and if this is true there is no doubt we are much underpaid for the mail service on our line.

Conditions, no doubt, vary considerably upon different lines and a rate for compensation that might suit here may not fit the conditions elsewhere. From lack of better information I would hesitate about expressing an opinion as to fixing upon a uniform rate to cover all cases, and we therefore believe it proper to confine our views to conditions and facts on our line as we find them. Our opinion is that we should receive for the mail service on our line actual cost, as already worked out, plus 25 per cent—or in other words $227.62 per month for the service, as it is now performed on mail route 110166 on our line.

For the above reasons we wish to reply to your inquiries as follows:

(1) Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

Answer. No, sir.

(2) Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

Answer. I hardly think so, for reasons explained in the accompanying letter.

(3) What in your opinion is a desirable plan for compensating railroad companies for transporting the mails?

Answer. Owing to the variations in the character of the service between long and short lines, I believe a fair basis upon which to adjust rates for carrying the United States mail to be as we have previously worked it out, viz, ascertain as nearly as possible the actual cost, to which should be added a fair remuneration for the railroad company, and we do not believe 25 per cent of the cost to be out of the way.

We make this suggestion for the reason that all materials, repair work, renewals, etc., we purchase carry with them profits of approximately 25 per cent above the actual cost of producing such articles.

For your information I beg to inclose herewith copy of our letter, dated January 12, 1910, addressed to Mr. Joseph Stewart, Assistant Postmaster General, and statement of cost of handling mail route upon our line No. 110166, made up on Post Office Department form 2603.

I wish to call attention to a point mentioned in this letter which we discovered after sending it, viz, the last 14 words in the letter on the last two lines should have been omitted, and the letter ended with the word "Millville." We included in our estimate (copy attached) 7 per cent of the general office and clerks' expenses as applied to mail service. This, however, does not alter the figures in estimate.

Yours, truly,

S. B. Haupt,
*President and General Manager.*

**[Form 2603.]**

Name of system reporting: Susquehanna, Bloomsburg & Berwick Railroad Co.

Railroad mail route covered by the system, 110166.

Train mileage of passenger traffic (covering all passenger and baggage, express, and mail service), 4,576.

Car mileage of all passenger equipment (including all cars, passenger and baggage, express, and mail), 9,152.

| | |
|---|---|
| Total revenue received from passenger traffic (not including mail and express) | $1,067.64 |
| Total revenue from express service | 36.12 |
| Total revenue from mail service | 97.93 |
| Total operating expenses (including passenger, mail, express, and freight) | 9,656.04 |
| Total passenger operating expenses, covering all passenger and baggage, express, and mail service | 1,279.10 |

*Assignable expenses.*

| | |
|---|---|
| Fuel for locomotives | 246.75 |
| Repairs to passenger cars | 20.00 |
| Locomotive repairs, one-seventh of total | 88.15 |
| Oil, tallow, and waste, one-fifth of total | 7.17 |
| Fuel for coaches, estimated. Heated by locomotive and included in locomotive consumption | 25.00 |
| Taxes on gross receipts | 8.54 |
| Wages of enginemen, conductor, baggageman, and watchman | 316.00 |
| Man carrying mail at Watsontown | 5.00 |
| | 716.61 |

*Proportion of nonassignable expenses.*

| | |
|---|---|
| 5 per cent on value of passenger equipment, $10,795.37 | 44.98 |
| Proportion of— | |
| Maintenance of roadway, 7 per cent | 216.50 |
| Superintendence, 7 per cent | 7.70 |
| Station agent, 7 per cent | 29.97 |
| General office, 7 per cent | 24.50 |
| General office clerks, 7 per cent | 12.95 |
| General expenses, 7 per cent | 8.24 |
| Stationery and printing, estimated | 2.50 |
| Water rent, one-fifth of total | 9.95 |
| Interest on mortgage, 6½ per cent | 189.60 |
| Taxes on capital stock, 6½ per cent | 15.60 |
| | 562.49 |

WATSONTOWN, PA., *January 12, 1910.*

JOSEPH STEWART, Esq.,
*Second Assistant Postmaster General,*
*Post Office Department, Washington, D. C.*

DEAR SIR: Your favor of November 22, accompanied with inclosures, including blank forms, letters of instruction, etc., relating to receipts and expenditures of railroads for carrying United States mail, came duly to hand.

We have recently closed our figures showing general operating expenses and gross receipts for the month of November, so that we are now able to work up such data as we hope may be satisfactory for the information you desire.

We find it difficult to separate the cost of carrying the mails from the total cost of operating the passenger train absolutely. Our regular passenger train is made up of one coach and one combination car.

Seventeen feet of the combination car is used for United States mail purposes, including mail clerk. It may be proper to calculate on the use of 12 feet of the combination car only, that being the length specified as being absolutely necessary by the post-office authorities. The reason we use 17 feet is because the car came to us that way and we did not wish to alter the partition.

While we have endeavored to give the information in full as called for in your blanks, we desire to add some additional information throwing light upon the subject from another standpoint. The total floor space of our passenger train, including one coach and one combination car, is 806 square feet. Of this, 110 square feet are used exclusively for United States mail purposes.

The total cost of operating our passenger train for the month of November, 1909, was $1,279.10, as you will note in statement. This makes the cost per square foot $1.59.

Figuring upon this basis we would find the cost of handling the United States mails for the month of November as follows:

| | |
|---|---|
| 110 square feet used in mail compartment car at $1.59 per square foot | $174.90 |
| Messenger for carrying mail at Watsontown, $5 per month | 5.00 |

Time of agents, Ottawa, Strawberry Ridge, and Millville, occupied in handling mails..... $2.20

This would make the total cost for handling the mails for the month of November $182.10. For this service our company receives from the Government $97.93 per month.

The above figures do not include anything for the hauling of the mail clerk four times daily between Watsontown and Millville or the time given to the service by the management and general office clerks.

Yours, truly,

S. B. HAUPT, *General Manager.*

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UNITED VERDE & PACIFIC RAILWAY CO.,
*Jerome, Ariz., September 20, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: In reply to your letter of September 11, relative to S. 7371, I beg to state that in my opinion this bill is grossly unfair and would work a very considerable hardship on railroads. The question is undoubtedly a very complicated one and should, I believe, involve equations other than the mere cost of transportation plus a 6 per cent profit thereon. Under the regulations of this bill no account seems to be taken of the cost of equipment and other facilities, nor the revenue haul displaced by mail and mail equipment unless, of course, these phases would be taken into consideration by the Post Office Department in determining cost of handling mail.

A railroad company should not be expected to sell its transporation, even to the Government, at a loss, nor at anything but a reasonable and just profit. In determining such profit not only the cost of the actual equipment used in the Railway Mail Service, together with the operating expense should be used, but that proportion of cost of motive power, track, and other facilities which mail equipment bears to all other equipment, should be capitalized and the resulting figure computed in the expense of operating mail. While these matters may be taken into consideration under the terms of the inclosed bill I do not deem these terms sufficiently explicit, and in order definitely to provide for such consideration I believe the bill should so state in plain and unmistakable language.

I believe also that short line railroads should be allowed a higher minimum than $25 per mile per year; especially should such allowance be made on mountain roads, where only limited tonnage can be handled and where operating and maintenance expenses are very high. Not only should cubic space of mail actually handled be considered, but cubic space required for possible necessities should be taken into consideration, and a fair and reasonable return made accordingly.

Rates based on average operating costs and figured accordingly on a mileage basis are inherently wrong. Every rate made should be based on individual characteristics with, of course, sufficient leeway to meet competition and other local conditions. Mail contracts should be given little consideration.

Yours, truly,

WILL L. CLARK, *Second Vice President.*

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VIRGINIA-CAROLINA RAILWAY CO.,
*Abingdon, Va., September 14, 1912.*

Senator JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Your circular letter 11th, asking opinion on bill 7371.

I have read the bill, but it is so drastic and autocratic that it is almost lese majestie to criticize it. The first difficulty is to find the actual cost of carrying the mail. The greatest experts in the world have never been able to properly figure the cost of transportation Especially difficult will it be to find the actual cost of moving under the special requirements of standard metal cars, depot space, room for post-office employees, etc., required in addition to the actual transportation.

The movement over the larger lines could, no doubt, be discussed by the managers of those lines much more ably than I could after extended study. Ours is a short line, and the compensation received by such line is entirely inadequate. I do not doubt but that very many of the short lines, like ourselves, would rather be without the mail than to have to handle it as at present.

In the first place the arbitrary rate is unremunerative and in the second place the requirement of short lines to deliver the mail pouches to the various post offices along the line within the limit of 40 rods for intermediate points and to terminal points, whatever the distance.

It seems to us that, in all justice, the compensation to such short lines should be increased, and they should be relieved from this burden of delivering to the post offices.

Yours, truly,

W. E. MINGEA,
*President and General Manager.*

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VIRGINIAN RAILWAY CO.,
*Norfolk, Va., October 24, 1912.*

Hon JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: I beg to present for your consideration the following reply to the inquiries made in your letter of September 11, 1912, viz:

Question 1. Do you deem the present plan of compensation an equitable one as between the Government and the railroads? If not, in what respects and as to what classes of railroads is it inequitable?

Answer. The present plan of compensation is not fair to the railroads.

(1) On account of the great length of time elapsing between weighing periods. There should be at least annual instead of quadrennial weighing, and there should also be a definite and fair method for ascertaining the daily average weights. Under the present four-year period of weighing, the railroads carry a certain quantity of mail a great portion of the time without any compensation.

As a case in point: The weighing of the mails on the Virginian Railway took place before the road was fully connected up and in operation. On short portions of the line only was there any train service. The company protested against the unfairness of rating its pay from the Government for four years in the future upon weighings made upon detached portions of the road. No attention was paid to our protests, and the injustice has been continued.

(2) On account of insufficient compensation, or allowance, for the maximum space demanded by the Government for postal-car accommodations; that is to say, pay is not allowed for all the space demanded. The recently enacted parcel-post law will mean greater injustice to the railroads under the present method of compensation for the average weight carried, instead of pay for the maximum space demanded.

(3) On account of requiring the railroads to perform unusual service without any pay therefor; we refer to side and terminal messenger service. The railroad is certainly entitled to proper compensation for work of this kind performed for the Post Office Department. The establishment of the parcel post will add to the burden.

(4) On account of the use of a wrong divisor, the latter having been changed unjustly.

(5) Laws have been enacted requiring steel postal car equipment, resulting in increased operating expenses for the railroads, while at the same time the compensation for carrying the mail has been reduced. This is not fair nor reasonable.

Question 2. Is the underlying principle of the plan embodied in the inclosed bill a proper basis for compensation? If not, wherein is it improper, and why?

Answer. The underlying principle of the plan outlined in Senate bill No. 7371 is not correct. A plan based upon operating cost and taxes, with 6 per cent added, can not be considered right, there being no allowance for the property employed. It would penalize the railroads which have the higher physical condition and which give the most efficient and valuable service to the Post Office Department.

Question 3. What, in your opinion, is a desirable plan for compensating railroad companies for transporting the mails?

Answer. Amend the existing law in a way that would correct serious inequalities now existing, some of which have been mentioned in our answer to question 1, and then place upon the same a fair interpretation in its administration on the part of the postal authorities.

Very respectfully, yours,

RAYMOND DU PUY.

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WABASH, CHESTER & WESTERN RAILROAD,
*Chester, Ill., September 14, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: Your favor 11th with copy of Senate bill 7371 received and noted.

Any legislation proposed by Mr. Hitchcock for payment to railroads for carrying mail can safely be condemned without reading. He is notoriously unfair and unreasonable.

The treatment the small roads have received by the Post Office Department for many years has been a disgrace and stamps the officials in charge as not only unfair and unreasonable but absolutely dishonest.

For the treatment this company has received I refer you to the testimony taken by the House Committee on Post Offices and Post Roads, of Sixty-first Congress (I think it was). As for requiring such roads as this to provide steel cars is absurd. This road does not make operating expenses and taxes. It has to be content with second-hand equipment, discarded by other companies. It can not afford new wood cars, let alone steel cars, of the Government specifications. Seventy-five dollars per mile is the minimum such roads should be allowed, and even that would barely pay cost of the service rendered. They should also be exempt from delivering mail to post offices at terminals and at stations.

No other freight is delivered to patrons, and this is a discrimination that should be unlawful.

Yours, respectfully, C. B. COLE, *President.*

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CHESTER, ILL., *October 9, 1912.*

Hon. JONATHAN BOURNE,
*Washington, D. C.*

DEAR SENATOR: I am in receipt of a copy of letter written you by the committee on railway mail pay of the American Railway Association, which I heartily indorse, referring to the proposed bill for regulation of railway mail pay. While this answer refers in a general way to the objections of the railroads in general, it does not put the case as strong as it should be on the part of the short lines. They should have special consideration, which I trust will be fully brought out in the hearings I assume will be held sometime this next winter.

Yours, respectfully, C. B. COLE, *President.*

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WABASH RAILROAD,
*Chicago, September 17, 1912.*

Hon. JONATHAN BOURNE,
*Chairman Senate Committee on Post Offices and Post Roads, Washington, D. C.*

MY DEAR SIR: Your letter of September 11, inclosing copy of Senate bill 7371, embodying a plan recommended by the Post Office Department for determining compensation to be paid to railway companies for transportation of mails, has come duly to hand.

The receivers desire to aid to the extent of their ability in the general discussion of this question; in fact, we have worked up a good deal of data along this line and have supplied it to a joint committee under whose jurisdiction has been placed the responsibility of supplying full information to your honorable body. I do not understand that you have any objections to our presenting the data in this manner.

Yours, very truly,

F. A. DELANO, *Receiver.*

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WHITE DEER & LOGANTON RAILWAY CO.,
*Sunbury, Pa., September 13, 1912.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: Replying to your letter of the 11th, we are operating a narrow-gauge railroad of 25 miles from White Deer, Pa., to Loganton, Pa., and owing to our limited experience do not feel that we can give a full answer to your questions.

We wish to suggest that for small roads like ours, operating in sparsely settled territory where traffic is not heavy, the maximum provision, on page 2 of Senate bill 7371, of $25 per mile would be a hardship, and we beg to ask that you consider the matter of some adjustment of compensation for service furnished such as by our line that will authorize a compensation such as would enable the roads to maintain the service, and think page 4, $42.50 per mile, would be a minimum in such cases.

Yours, truly,

CHARLES STEELE, *General Manager.*

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YOSEMITE VALLEY RAILROAD CO.,
*Merced, Cal., September 23, 1912.*

Senator JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: I have your letter of September 11, addressed to our president, Mr. F. G. Drum, which has been referred to us for reply.

(1) I do not deem the present plan of compensation equitable for all roads and under all conditions. In our own case our road was built through practically virgin country and of course the mail carried was very light, but we have developed the business and

it is rapidly increasing each year and some arrangement should be made on roads of this character where more frequent weighing and adjustment could be had.

Furthermore, our business is greatest during certain months in the year and at the time that the mail is weighed does not cover any of the months in which our business is greatest, consequently we do not receive proper compensation for the mail we carry.

(2) The underlying principle of the plan embodied in the bill is correct, but should be elastic enough to meet special cases and conditions such as nearly all small roads and new roads have to contend with.

Yours, truly,

O. W. LEHMER.

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YREKA RAILROAD CO.,
*Yreka, Siskiyou County, Cal., November 8, 1912.*

Mr. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SIR: I have your kind favor of September 11, 1912, with reference to proposed Senate bill 7371, as regards compensation of railroad companies for handling the mails. I beg leave to address a few remarks to you as regards our views in the matter, which, of course, cover our particular case, as we are situated quite differently than the larger roads and, perhaps, some of the smaller roads. We feel that the present compensation for the services performed is wholly inadequate, and in the event of establishing a $25 per mile maximum revenue, as provided in this bill, such a rate would be confiscatory on our part.

I do not quite understand just how the matter of mileage is arrived at on this proposed basis. Presume, however, it would be based on the round-trip mileage on this road, account service rendered both ways. In this event, our mileage being 7.50, we could not claim over 15 miles for the double service, which would amount to a maximum of $325 for the year's service. Yreka is a terminal post office, and we are compelled to transport the mail from our depot to the post office, approximately one-half mile distant. The mail transported by team includes the Yreka mail, as well as the mail for 19 tributary post offices which goes through that office.

This mail approximates 14,000 to 16,000 pounds monthly, and, taking into consideration the mail delivered from the post office to the depot here in Yreka, we are called upon to handle approximately 20,000 pounds of mail by wagon each month, besides deliveries three times daily at Montague post office and handling at Yreka and Montague stations and transporting over our line, 7.50 miles each way three times daily. For this service we are allowed $46.21 monthly, not deducting any fines the postal department may feel disposed to impose upon us. Mr. H. Schock, who has been in the dray business here ever since the road was first established, has transported the mails between the depot and the Yreka post office by handcarts and team.

This has been for the past 25 years. For this service he was started off with a monthly compensation by this company of $10, and at the present time is being paid only $12.50 per month. On account of the great increase of all mail during the past few years, additional labor is involved, and Mr. Schock is becoming very much dissatisfied with the present arrangement, as he states it does not pay him for the time of man and team it takes to do the work. This, of course, you realize includes Sundays as well as other days, and he oftentimes has a full load of mail, account Sunday being one of the heaviest days. While his compensation has been extremely small considering the service rendered, he realizes we are not in a position to help him much at our present compensation, and his desire to help us out in the past has caused him to handle the mail at a much less figure than we could possibly obtain from any other party.

Mr. Schock feels quite discouraged under present conditions and is considering quite strongly of throwing up the proposition unless he can get somewhere near a reasonable compensation for the service. He feels that he should be paid a minimum of $30 monthly for this service, and we consider this a very fair and reasonable demand. Should we be compelled to pay this amount for this service without increased allowance from the postal department for this company, we would practically be giving the service for slightly more than 50 cents per day—a mere pittance. I do not believe my predecessor has ever brought this matter up with the department, as I feel quite certain that they could readily see that the compensation is wholly inadequate. It was my intention to take the matter up with them in the near future, and, receiving your letter, I concluded to place the matter before you as I have.

I feel for this service we should be allowed $75 per month, which would enable us to pay Mr. Schock $30 for his services, which is, indeed, a very reasonable charge. This amount would leave us a fair compensation for services performed, which, on the present basis or the one proposed, would be entirely too small for the services

rendered. I am giving you conditions as they now exist here and feel that some relief should be afforded us. At the present time we are receiving slightly more than $1 per day for our services in this matter.

While I realize that your communication was not directed to us for the purpose of procuring a statement of our personal grievances in this mail matter, I have taken the liberty to put our case before you in such a manner that you may know our position in connection therewith. If there is any further information desired or suggestions you would like to make, I will be pleased to hear from you further.

Yours, very truly,

F. A. REISER,
*Superintendent and Manager.*

## DATA ASKED FROM INTERSTATE COMMERCE COMMISSION.

In order to still further aid the joint committee in the inquiry with which it is charged and to secure the most competent judgment that might be had in regard thereto, I addressed the following letter to Hon. C. A. Prouty, chairman Interstate Commerce Commission:

JANUARY 3, 1913.

Hon. C. A. PROUTY,
*Chairman Interstate Commerce Commission, Washington, D. C.*

MY DEAR SIR: Under the provisions of an item in the Post Office appropriation act of recent session of Congress the Senate and House of Representatives have appointed a joint committee to make inquiry into the subject of compensation for the transportation of mail. This committee has not yet organized, but as a member of said joint committee and as chairman of the Senate Committee on Post Offices and Post Roads, and under authority of Senate resolution 56, I earnestly desire that the most competent judgment may be had in reference to the subject matter of the inquiry.

In order, therefore, to aid the joint committee in the inquiry about to be undertaken, I shall be pleased if your commission will have an analysis made showing the relative returns to the railroad companies for the different classes of traffic they handle, namely, passenger, freight, express, and mail, approximating as nearly as possible the expense to the railroads for handling such respective classes of traffic as compared with the earnings received by the railroads from such traffic.

In connection with the foregoing inquiry, attention is called to the fact that the Government for the fiscal year ending June 30, 1912, appropriated for the railway post-office car service $5,010,000, of which $4,426,144.16 was expended in that service, leaving an unexpended balance as of June 30, 1912, of $583,855.54. Since there is an impression prevalent throughout the country that the Government would do better by owning and operating its own postal cars, I beg to inquire whether you can and will prepare a statement showing what, if any, saving to the Government could be effected by governmental ownership and operation of postal cars, taking into consideration cost and upkeep of same, covering maintenance, cleaning, duplicating, and allowance for depreciation.

If it is possible to comply with the above request, I shall be pleased to have you advise me when the information will be available for the use of the joint committee.

Yours, very truly,

JONATHAN BOURNE, Jr.

To this letter I received the following responses:

INTERSTATE COMMERCE COMMISSION,
*Washington, January 4, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*United States Senate, Washington, D. C.*

MY DEAR SIR: Replying to yours of January 3, 1913, in reference to inquiry into relative cost of handling mail, express, and passengers, permit me to say that I will lay your letter before my associates and write you further not later than Wednesday of next week. I do not think we have any figures from which any accurate information of the kind for which you asked can be obtained, certainly not any comprehensive information. This subject has been gone into in one or two cases as applied to individual railroads or localities.

Very truly, yours, C. A. PROUTY, *Chairman.*

INTERSTATE COMMERCE COMMISSION,
*Washington, January 7, 1913.*

HON. JONATHAN BOURNE, Jr.,
*United States Senator, Washington, D. C.*

MY DEAR SIR: Further replying to your letter of January 3, 1913, in reference to cost of handling mail matter in comparison with other passenger-train service. Having laid the matter before my associates, I am instructed to say:

First. The commission now has no figures from which the information asked for by you could be compiled. In one or two cases this matter has been incidentally gone into, but in so fragmentary and unsatisfactory a manner that we could not, upon the strength of what was there developed, express an opinion.

Second. The commission has no knowledge and no means of knowing the expense of maintaining and operating postal cars. Some time ago we sent to Congress some information as to the relative cost of maintaining steel and wood cars.

Third. The commission could, by means of an investigation to be instituted by it, probably give you information on both these points, certainly on the first point, which would be reliable, but such a proceeding would require several months, possibly a year, and would be somewhat expensive.

Awaiting your suggestion, I am, very truly, yours,

C. A. PROUTY, *Chairman.*

## ORGANIZATION OF COMMITTEE.

As I have already indicated, the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail did not organize immediately after the appointments were made, for the reason that the members went home on their summer vacations. Organization was delayed after the reconvening of Congress in December by the absence of several of the members. On January 6, 1913, I called the members together, at which time there were present:

Senators: Jonathan Bourne, jr., John H. Bankhead. Representatives: J. T. Lloyd, W. E. Tuttle, jr.

On motion of Mr. Lloyd the joint committee elected Senator Jonathan Bourne, jr., as chairman.

On motion of Mr. Lloyd the chairman was authorized to appoint a secretary and to employ such clerical, expert, stenographic, and other assistance as he deems necessary. The chairman announced the appointment of Mr. Robert H. Turner as secretary of the joint committee.

On suggestion of the chairman, Mr. Richard B. Nixon was appointed to act as disbursing officer of the joint committee.

## DEPARTMENT MODIFIES ITS PLAN.

In order that I might bring out the points of difference and a possible satisfactory adjustment thereof between the parties interested, viz, the Post Office Department and the railroad companies, I arranged for a conference of individuals representing the conflicting interests. This conference was held in my committee room on Monday, December 30, 1912, prior to thé organization of the committee, Hon. Joseph Stewart, Second Assistant Postmaster General, appearing as the representative of the Post Office Department, and Mr. Ralph Peters, president of the Long Island Railroad Co. and acting chairman of the committee on railway mail pay, Mr. W. A. Worthington, assistant director of maintenance and operation, Union and Southern Pacific Systems, and Mr. V. G. Bradley, general supervisor

of mail traffic, Pennsylvania Railroad Co., appearing as the representatives of the railroads. At this conference it was suggested by Mr. Stewart that the Post Office Department was willing to make certain concessions to the railroad companies by modifying in certain particulars the position taken by it in House Document No. 105, and as expressed in S. 7371, heretofore referred to. Influenced by this suggestion, I, as chairman of the joint committee, addressed the following letter to the Postmaster General:

JANUARY 6, 1913.

Hon. FRANK H. HITCHCOCK,
*Postmaster General, Washington, D. C.*

MY DEAR GENERAL: Referring to telephonic conversation had with you several days ago, in which you stated that the department was willing to make certain concessions to the railroad companies in the matter of railway mail pay by modifying the position taken by it in House Document No. 105 and as expressed in the pending bill, S. 7371:

As I understand it, while approving in general the plan outlined in House Document No. 105, you are now prepared to recommend certain modifications of that plan in these particulars, to wit:

First. That the Interstate Commerce Commission instead of the Postmaster General be authorized to make the primary separation between passenger and freight business.

Second. That in the matter of car space the railroad companies be credited with the maximum space in both directions.

Third. That in addition to a compensation of 6 per cent of the operating expenses the railroad companies, after an apportionment, be credited with a reasonable percentage of the capital employed in and relating to the Railway Mail Service.

The joint committee organized this morning and is anxious to have you indicate in writing at the earliest possible date your recommendations modifying the plan as outlined in House Document No. 105, with your reasons therefor.

As prompt a response as the nature of this request will permit is desired.

Yours, very truly,

JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail.*

To this letter I received the following response:

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., January 9, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail.*

MY DEAR MR. CHAIRMAN: Referring to your letter of the 6th instant, regarding certain proposed modifications of the general plan outlined in House Document No. 105 for readjusting railroad mail pay, I have the honor to state that I am willing to recommend the following in connection therewith:

First. That the Interstate Commerce Commission, instead of the Postmaster General, be authorized to make the separation of operating expenses between passenger and freight services.

Second. That in computing the car-foot miles the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction.

Third. That in addition to the operating expenses and taxes apportionable to the mail service and 6 per cent thereof, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.

Such modification of the phraseology of the proposed law as may be necessary to effect these changes will be prepared as early as practicable.

Yours, very truly,

FRANK H. HITCHCOCK,
*Postmaster General.*

## DEPARTMENT'S REPLY TO RAILROADS.

On November 30, 1912, I submitted to the Post Office Department all answers received from the railroad companies to my circular letter of September 11 and asked that the Second Assistant Postmaster General, on behalf of the department, furnish the committee his views in reply thereto. Under date of January 17, 1913, the Postmaster General addressed a letter to me as chairman of your joint committee submitting, on behalf of the Post Office Department, a memorandum prepared by the Second Assistant Postmaster General. Although dated January 17, 1913, this letter was not sent to me by the Postmaster General until noon, January 22.

This letter and memorandum read as follows:

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., January 17, 1913.*

HON. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail,*
*Congress of the United States.*

MY DEAR MR. CHAIRMAN: I hand you herewith a memorandum prepared by the Second Assistant Postmaster General on behalf of the Post Office Department in reply to a statement entitled "Mail Carrying Railways Underpaid," prepared by the committee on railway mail pay, representing certain railway companies carrying the mails, and submitted to the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, and received by the department from you informally with request for a reply.

Yours, very truly,

FRANK H. HITCHCOCK,
*Postmaster General.*

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MEMORANDUM ON BEHALF OF THE POST OFFICE DEPARTMENT IN REPLY TO A STATEMENT ENTITLED "MAIL-CARRYING RAILWAYS UNDERPAID."

POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
*Washington, January 17, 1913.*

The pamphlet Mail-Carrying Railways Underpaid, a statement prepared by the committee on railway mail pay representing the larger number of the railway companies in the United States carrying the mails and submitted to the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, and received by the department from chairman thereof with request for a reply, has been carefully examined and the statements analyzed. A reply will be made in this memorandum to the arguments advanced and attention will be called to the important erroneous statements found in the claims of the pamphlet.

The purpose of the pamphlet is stated to be to show that the department's estimate of cost to the railroads for carrying the mails is far below the real cost and that the department's figures and calculations when analyzed and supplemented demonstrate that the mail service has not been fairly remunerative to the railroads. The statements advanced to support these propositions are specifically set forth in the pamphlet, but are preceded by a general claim in the following language:

"Railway mail pay is about to be forced still further below the level of just compensation, unless payments are promptly readjusted, on account of the additional volume of mail that will result from the inauguration, on January 1, 1913, of the parcel post" (p. 3).

With regard to this, the department grants the contention of the railroads that they should receive additional compensation for the increased weight of mails they will be required to carry under the operation of the parcel post.

The Postmaster General has recommended to Congress that in the event that the legislation proposed in Document No. 105 be not passed he be authorized to weigh the mails on all railroad routes in the fall of 1913 for a period of not less than 30 successive working days and to readjust compensation on the routes from the date of commence-

ment of such weighing. Recommendation has also been made for the additional amount of appropriation necessary. It is proposed that the readjustments of compensation, if the authority be granted, shall continue until the commencement of the next regular contract term in each section, subsequent weighings and readjustments to conform to the present practice of weighing each section once in four years.

It is believed that the plan recommended is an equitable one and eminently fair to the railroads. It has been suggested that by a weighing in the fall and an adjustment from the date of the commencement of the weighing period, the companies will receive no compensation for parcel post mails carried from January 1, 1913, to the weighing period. The fact should not be overlooked that, on account of the impracticability of weighing the parcel-post mails separately and adjusting therefor alone, the companies will receive compensation for the increase in other mails for periods of six months, one year, one and one-half years, two and one-half years, and three and one-half years, according to the section, which they would otherwise not receive until the regular contract term began in each section. In other words, in the New England States, in the first section, the railroads would receive the additional compensation accruing from one year's increase in the other mails for nearly the entire four-year period; in the remainder of the first section they would receive compensation for six months' increase for nearly the same period; in the second section they would receive compensation for one and one-half years' increase in the mails for nearly three years; in the third section they would receive pay for two and one-half years' increase in other mails for nearly two years; and in the fourth section they would receive the pay for three and one-half years' increase in the other mails for nearly a year. It is thought that these additional amounts received will compensate for the failure to receive compensation for the parcel-post mails carried from January 1, 1913, to the date of such readjustment.

## I.

The first statement in the pamphlet in support of the propositions advanced is as follows:

"The Postmaster General's erroneous assertion that the railways were overpaid 'about $9,000,000' in the year 1909 rests primarily upon his adopting an unprecedented theory which allows nothing for a return upon the capital invested in railway property" (p. 4).

In support of this the pamphlet advances an argument based upon a consideration of the entire operating expenses of all of the United States railways for a year, plus the taxes and 6 per cent upon the total, as compared with the total interest of the obligations on the funded debt of all of the United States railways for one year, plus rentals of leased properties for the same period, and shows that a return equal to the operating expenses, taxes, and 6 per cent would be insufficient to meet the interest obligations and rentals for the entire railroad service. The logic of the argument is that (1) the operating revenues should always be sufficient to meet operating expenses, taxes, interest on all funded debt, and rentals of leased properties, and that (2) the performance of mail service by the railroad companies for the United States shall be considered upon the same basis as their performance of service for the public. The department is not in a position to venture an opinion as to how far the question of interest on funded debt should enter into the consideration of rates, but it may be said that there are no authorities which have been found that propose the ascertainment of a rate purely upon this. In this connection the case of Buell *v.* Chicago, Milwaukee & St. Paul Railway Co., heard before the Railroad Commission of Wisconsin, will shed much light. It is said on page 160 of the report as follows:

"Under normal conditions the owners of a railroad are entitled to a fair return upon a fair valuation of their property. This statement raises two questions: First, What is a fair rate of interest in such cases? and, second, What constitutes a fair valuation of the property involved? Both of these questions are so closely related to other questions and involve so many problems about which there is more or less dispute that any full or adequate discussion of each can not be entered upon here. At the same time it is necessary to call attention to a few facts which are more intimately connected with these questions.

"It has been quite generally held that a fair rate of interest is a rate which, other things being equal, corresponds to the current market rates on money. This is a position with which it is not easy to take issue, for it is quite clear that whatever rate money brings in the market is a safe index to what it is generally worth for investment purposes. It may also be said, and with a great deal of force, that a fair rate of interest for any particular road is the rate of income which its securities bring on their market value. The market rate includes the ordinary risks as it is usually considerably

higher than the rate which is obtained on Government and other securities where substantially no risks at all are involved.

"What constitutes a fair valuation of the plant? Is it the original cost of construction, the amount at which it is capitalized, the cost of reconstruction new, or the cost of reproduction up to its existing condition? The original cost of construction is an item that can not generally be ascertained except for relatively new roads. Most of the roads were built by construction companies whose records are not in existence, and then turned over to some other company at a different value than the original cost. Many of the roads are undergoing constant improvements; in fact, some of them have been almost entirely rebuilt since the time of their first construction. The original cost, as well as the amount that has been expended upon the plant to any given date, exclusive of the maintenance, are items that for these and other reasons can not be obtained, and which would probably be of little value if they could be had.

"The capitalization of the roads, or the bonds and stocks issued by them, in most cases falls short of being a fair index of a reasonable valuation. The main reason for this is found in the manner in which these securities are issued. The railroads are often both constructed and equipped by the proceeds obtained from the sales of its bonds, while the stock is often thrown in as a bonus. Again, bonds and stocks are often issued for other purposes than construction. Many roads, for instance, issue securities for the purpose of acquiring an interest in other roads, or in other property than that which can properly be considered as a part of their respective plants. At times the securities are sold at a discount and the bonds alone may often amount to more than the entire cost of the road. For these and other reasons the capitalization is subject to great variations. In some cases it may greatly exceed the amount actually invested, or what might be a fair valuation of the property. In other cases, again, it may correspond quite closely to the true value of the plant, or it may even amount to less than this value. From these facts it seems clear that the bonds and stocks which are outstanding may not represent what the roads are reasonably worth, and the amount upon which they are entitled to a fair return.

"The cost of reproduction has been suggested as the valuation that might be fair to all concerned. This cost includes the value of the right of way, yards, and terminals at two and one-half times the prices of adjacent real estate, or at some other price ratio. It also includes the cost of buildings and structures of all kinds, new, if constructed at current prices of material and labor. It further includes the labor and material at current rates for the construction of the road and its equipments, together with engineering, superintendence, legal expenses, cost of organization, cost of material on hand, freight charges on the material used, etc. In short, it includes every item of expense which would be involved in building the road to-day, including the interest on the investment during the construction period."

In States where public utilities commissions have jurisdiction over public service corporations other than steam railways practically a like rule of valuation in connection with rate making is observed. New York may be cited as an example. W. H. Lyon, in his work on "Capitalization—A Book on Corporation Finance," states, on page 242, in connection therewith, as follows:

"VALUATION OF PHYSICAL PROPERTY.

"Information about the method of valuing a corporation's physical property as a basis for rate making comes from two cases. Experts of the commission made an appraisal of all the property of the Bronx Gas & Electric Co. This included cost to reproduce and depreciation. The commission undertook similar appraisal work on the Kings County Electric Light & Power Co. It makes such appraisals either in connection with bond or rate cases or in anticipation of reorganization applications. The significance of a consideration of cost to reproduce and depreciation will be clear after a study of the methods of valuation the Wisconsin commission employs.

"VALUATION OF PROPERTY OTHER THAN PHYSICAL.

"In prescribing uniform accounts the commission orders that franchise accounts shall be charged only with the amount actually paid to the State for the right, exclusive of taxes. Furthermore, the corporation must amortize this amount during the life of the grant. It must similarly charge all other intangible assets at their actual money cost alone, and must amortize this amount during the life of the asset."

The second question, namely, as to whether the same rule as to rate of return for service performed shall apply for the United States as for the public, is one which is worthy of mature consideration and may be submitted to the congressional commission for determination.

In specific defense of the theory respecting the basis for rate upon which Document No. 105 was prepared and submitted to Congress it is only necessary to refer to the act of Congress under which the same was done. The act of March 3, 1879, chapter 180, section 6 (20 Stats. L., 355), provides as follows:

"The Postmaster General shall request all railroad companies transporting the mails to furnish, under seal, such data relating to the operating, receipts, and expenditures of such roads as may, in his judgment, be deemed necessary to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same; and he shall, in his annual report to Congress, make such recommendations, founded on the information obtained under this section, as shall in his opinion be just and equitable."

It will be seen from the above that the statutes require the ascertainment of the cost of transportation and the proper compensation to be paid for the same.

Upon the further question of capitalization or basis of valuation the department had no information.

In order to thoroughly meet and consider this feature of the question consideration has been given to it since the preparation of Document No. 105, and the Postmaster General has signified his willingness to recommend that, in addition to the operating expenses and taxes apportionable to the mail service and 6 per cent thereof, companies may be allowed such additional amounts, if any may be necessary, as shall render the whole a proper proportion of a fair and reasonable rate on the value of the property necessarily employed in connection with the mail service.

## II.

The second statement in the pamphlet in support of the propositions advanced is as follows:

"The mail service supplied by the railways costs them more in operating expenses and taxes than they are paid for it, and leaves nothing for return on the property" (p. 6).

In elaboration of this statement several positions are taken. The first is that the passenger-train services as a whole do not produce revenue sufficient to meet their fair proportion of the operating cost and the necessary return upon investment and that the mail service, being only a part of the passenger service and producing a less rate of gross revenue per car-foot mile is therefore unprofitable. In support of their contention the pamphlet alleges substantially (1) that it is the general belief of railway managers that the passenger revenues are insufficient to meet these items, and (2) that the rate of gross receipts per car-foot mile received for the mail service is 3.23 mills and for other services 4.35 mills.

With respect to the first the department has no information which would warrant a conclusion, and as to the second it is to be observed that the rates given by the pamphlet are rates computed by the railroad committee on railway-mail pay based entirely upon the companies' statistics as to car space and mail service performed unchecked and uncorrected by the department, which results in the ascertainment of a larger per cent of car-foot miles to the mail service than is justified by the corrected data. The department's figures show revenue from mail service of 4.14 mills per car-foot mile and for revenue from other services 4.16 mills per car-foot mile.

From these figures it will be readily observed that the discrepancy between the mail and other services comprising the passenger services alleged by the pamphlet does not exist to the extent claimed. Furthermore, the pamphlet in this connection raises the interesting question which the railroad committee on railway mail pay does not touch upon, namely, how the question may be affected by the fact that their operating revenues for all passenger services (of which the mail is only a small part) do not pay operating expenses, taxes, and a fair return on the investment, and apparently are not expected by the companies to do so.

The second position taken is that no merely statistical comparison can reveal the whole story, for the railways are required to furnish many incidental facilities and to perform many additional services for the Post Office Department which render the mail service exceptionally arduous and costly.

In support of this the pamphlet sets forth the requirements of the postal regulations and the practice of the department regarding the receipt and delivery of mails en route, supplying of rooms, etc.

In reply to this it may be said that with respect to the passenger service, as well, the railroad companies furnish very elaborate and extensive facilities for the accomodation, convenience, and safety of persons who patronize their passenger service.

It should not be overlooked, however, that whatever facilities may be furnished by the railroad companies for the mail service will, under the plan proposed by the Post Office Department, be paid for upon the basis proposed.

In this connection, on page 7 of the pamphlet there is a statement which seems to be fully in line with the purpose of the inquiry, reported in Document No. 105. This statement is as follows:

"The fairness of railway-mail pay can also be tested by apportioning operating expenses between passenger and freight traffic, and then making a secondary apportionment of the passenger expenses between mail and other kinds of traffic carried on passenger trains. This method involves charging directly to each kind of traffic all expenses pertaining exclusively thereto, and the apportionment, on some fair basis, of those expenses which are common to more than one kind of traffic."

This is the method which was substantially followed by the department.

However, the pamphlet states that the railway companies arrived at the conclusion by this method—that the operating expenses, not including taxes, for conducting the mail service, were $4,009,184, as against the department's figures for substantially like mileage, $2,676,503.75. It is to be observed from the statements of the pamphlet that in obtaining this result the railroads used the revenue train mileage for apportioning common expenditures for passenger and freight services, which, in the opinion of the authority consulted by the department, is not the best basis for such division in all cases, and used the percentage of car-foot miles made in the mail service for apportioning to the mail the passenger operating expenses, which was too high, because obtained by using the unchecked and uncorrected data before referred to. With respect to the use of revenue train mileage for the purpose named, the Wisconsin commission, in the case above cited, state as follows:

"The revenue train-mile is the unit of work done in hauling trains between terminals, and it is the most direct unit of cost. That is, the passenger revenue train mileage is the most direct unit of those expenses which depend upon the same, and the freight revenue train mileage is the most direct unit of those expenses which depend upon this mileage. This is an important distinction, for the passenger-train mileage differs materially in cost as well as in many other respects from the freight-train mileage. * * * They evidently assume that passenger and freight train mileage stand for substantially the same thing and that this is the proper unit of all expenses. Even a superficial analysis of the facts will show that this is not the case."

With respect to other statements subject to criticism set forth under this heading in the pamphlet, a discussion will be found under subsequent headings where they are more specifically referred to.

III.

The third statement in the pamphlet in support of the propositions advanced is as follows:

"The Postmaster General's apportionment of space between the mail service and the other services rendered on passenger trains did not allow to the mails the space which they actually require and use and this had the result of unduly reducing his estimates of the cost to the railways of the mail service" (p. 9).

The rules adopted by the department in checking the reports of the railroad companies of space necessary for the mail service differed from the ideas of the railroad companies as to the proper amount of the space to be charged, but it is believed that the department's rules were equitable and adhered closely to the actual conditions obtaining on the various trains. In order that there may be no doubt as to these rules they are here set forth in full:

"CLOSED-POUCH SPACE.

"The following basis for the estimate of the space in baggage cars devoted to mail service for closed pouches during the month of November, 1909, in connection with the railroad companies' reports, will be observed:

"For 100 pounds or less, allow 6 linear inches;

"For weights above 100 pounds and not exceeding 200 pounds, allow 10 linear inches;

"For weights above 200 pounds, allow 5 linear inches for each additional 100 pounds.

"The weight will be ascertained by multiplying the maximum number of pouches and sacks reported by the company as carried at any one time by the average weight of pouches and sacks as shown by the report of the General Superintendent, Railway Mail Service, upon the actual weighing for 10 days of closed pouches on express trains, namely, 20 pounds."

APARTMENT CAR SPACE.

"Where the railroad reports cars longer than those authorized by the department, enter the authorized length in column 11, Form 2601, and enter the excess space in an additional column to be headed 'Linear feet of the cars—dead space,' and its car-foot mileage to be computed and entered in another additional column headed 'Car-foot mileage—dead space.'"

RAILWAY POST OFFICE CAR SPACE.

"Where the railroad company reports cars longer than those authorized by the department, the cases may be one of the following three characters:

"*Full line authorized with maximum pay.*—Where the space reported is greater than that authorized by the department, enter the authorized length in column 9, Form 2601, and the excess space in an additional column marked 'Linear feet of cars—dead space' and compute the car-foot mileage on the dead space and enter it in another additional column, marked 'Car-foot mileage—dead space.'

"*Agreement lines.*—These cases are where the department authorizes a full line of cars (as, for instance, a 60-foot line), and the company operates such sized cars in both directions, but the department pays a rate equal to half the rate for a full line of the maximum length, plus one-half the rate for a full line of minimum length (as, for instance, pay equal to half a 60-foot plus half of a 50-foot or 40-foot line). In this case enter the length of the line, as authorized, in column 11, Form 2601.

"*Half lines.*—These are cases where the authorizations are for specific half lines (as, for instance, half line of 60-foot cars in one direction and half a line of 40-foot cars in the opposite direction). It is usual for the company to operate the maximum length of car in both directions. If, therefore, the company reports greater length than that authorized, enter the authorized length in column 11 and the surplus space reported, if any, in another column (additional), marked 'Linear feet of cars—deadhead space' and compute the car-foot mileage upon the deadhead space and enter it in another additional column headed 'Car-foot mileage—deadhead space.'"

"If a railway post-office car is reported deadhead and its running is necessary for the maintenance of the authorized car service, the space should be entered in the column 'Linear feet of cars—deadhead space' and its car-foot mileage computed and entered in the column 'Car-foot mileage—deadhead space.'

"*Milk car operated in passenger train.*—Where a milk car is operated in a passenger train the car space should be treated as passenger car space.

"*Railway post-office cars run beyond the points between which such service is duly authorized and paid for.*—Where a company reports the operation of a full railway post-office car beyond the points between which the line is duly authorized, give credit in column 11 for the length of space necessary for apartment car service, if any be necessary, for the extra distance for which the car is so operated and enter the surplus space in the column 'Linear feet of cars—dead space' and carry the car-foot mileage for each to their appropriate columns. If no space is needed for apartment car service over the extra distance run, enter the entire space reported for such distance in the column 'Linear feet of cars—dead space' and carry out its car-foot mileage."

The space ascertained to be "Deadhead space" under the foregoing rules was charged to the mail service, and formed part of the car-foot mileage percentage for that service.

The assertion is made that "the Postmaster General obtained from the railways statements which he might have used in applying this method (the apportionment), and these statements showed that 9.32 per cent of the total space in passenger trains was required by the mails, but, instead of using the data showing this fact, he substituted figures of his own which reduced the space credited to the mail service to 7.16 per cent of the total." The statement that the Postmaster General used figures of his own is incorrect. The figures used by the department were those furnished by the railroad companies, after being checked and carefully scrutinized under the rules hereinbefore set forth. The utmost care was exercised in verifying the reports of the companies, and in case any change was made in the figures there was ample authority therefor.

The railroad companies, generally, reported the space used by the mails at the maximum of operating conditions, whether warranted by the needs of the mail service or not. An examination of the instructions of the various companies to their employees in regard to reporting closed-pouch space indicates that no matter what the size of the baggage car utilized, the mail service, even if the mail was very light in weight and quantity, was charged with unused space in the baggage car proportional to the amount carried. The rule of the department to allow 6 linear inches across the entire car for 100 pounds of mail or less was based upon measurements and tests made by officials of the department and represented 18 linear inches by 36 inches upon one side of the car the full height of the car. This space is ample for 100 pounds of mail.

The pamphlet further makes specific statements regarding the operating necessity for providing for the maximum traffic, although during much of the trip the actual traffic may be considerably below this limit, and states that the Postmaster General refused to credit the mail service with much of the space thus required by the depart-

ment. This statement is incorrect, as will be fully perceived by an examination of the rules hereinbefore stated regarding the charges against the mail service for railway post-office car service. From these rules it will be noted that excess space was charged to dead space (that is, space which was afterwards charged to the passenger, not mail, service) only in cases where the company operated cars of greater length than authorized by the department, and also where the companies operated for their own purposes authorized lines beyond the points between which such lines were duly authorized to be run, and that in other cases, as, for instance, agreement lines and half lines, the excess space was charged to deadhead space and finally accounted for as a charge to the mail service.

IV.

The fourth statement in the pamphlet in support of the propositions advanced is as follows:

"The Postmaster General ignored data which he had obtained showing expenditures on account of the mails largely in excess of the direct expenses for that service which he reported" (p. 11).

In support of this the pamphlet contains the statement that the Postmaster General obtained from the railroad companies statements showing the amounts expended by them for station and terminal services required by the department, etc., which were not used, and that no adequate allowance was made in any other way for such unused items. It sets forth specifically an itemized statement of all items reported, aggregating $401,136.

This statement contains two material allegations: (1) That no adequate allowance was made in any other way for the items that were not specifically used by the department, and (2) that the total of all items which should be considered under this heading is as above stated. These will be considered separately and it will be convenient to consider the second first.

An examination of the items set forth on page 12 of the pamphlet immediately discloses the fact that they contain two specifications and the greater part of a third which are improperly included as operating expenses, namely, rental value, plus average monthly cost of light and heat, of room or rooms set apart for the exclusive use of the mail service, $37,258.93 (the part of this item improperly included is the rental value); rental value of tracks occupied daily for advance distribution of the mail, $47,029.12; and interest at the legal rate upon the value of cranes, catchers, and trucks required for mail service, $3,895.36. The total of these is $88,183.41. The part of this which represents the cost of light and heat of room or rooms set apart for mail service is not shown. Neither is it possible to apportion to the amount the proper proportion of the $9,993.19 stated in the footnote on page 12 of the pamphlet as having been reported by four companies which gave totals for these items but did not report the items separately. Therefore, the true amount representing operating expenses for station service, etc., is made up of the other items stated, namely, amount of wages paid to messengers and porters employed exclusively in handling mails, $79,980.84; portion properly chargeable to mail service, prorated, etc., $198,927.01; amount expended for maintenance of horses and wagons, etc., $5,640.98; and average monthly cost of light and heat for postal cars placed daily for advance distribution of mail, $18,400.57; making a total of $302,949.40. This would be augmented by the unseparated amount for cost of lighting and heating rooms and the due proportion of the $9,993.19 above referred to.

It will be observed from this that the statement in the pamphlet as to the amount which should have been accounted for is over $88,000 too much (not accounting for the undetermined items above referred to). Furthermore, the items making up the total of $302,949.40 had not been checked by the department, and it is to be remembered that they rest wholly upon the statements of the companies. That the largest item among them, namely, $198,927.01, the portion said to be properly chargeable to mail service, prorated on the basis of actual time employed, is largely in excess of a proper charge is shown by the following facts: Notwithstanding the statement made in the pamphlet that this item is the portion properly chargeable to mail service, "prorated on the basis of *actual time* [1] employed, of wages paid to station employees a part of whose time is employed in handling mails," the instructions given by the railroad committee on railway-mail pay (the committee which prepared the pamphlet under consideration) to the companies they represented contain the following with reference to this item:

"In computing the pay of station employees and time consumed in handling mails 30 minutes should be allowed for each train exchanging mails, and, in addition, the

[1] Italics are department's.

mail time should be charged with its proper proportion of idle time of agent or employee handling mails; same proportion to be added in transfer trips to other stations."

In the light of this instruction the department, in fairness to the Government, could have made no specific use of the item under consideration.

Furthermore, the item contained on page 12 of the pamphlet, "Amount of wages paid to messengers and porters employed exclusively in handling mails, $79,980.84," appears also to be evidently excessive in the light of the instructions given by the railroad committee representing the companies and who prepared the pamphlet, as follows: "Where solely on account of handling the mails an additional person has been employed, his whole pay should be shown in column 3, even though after employment he may perform some other work incidentally." This instruction is directly contrary to the theory otherwise insisted upon by the companies that the mail service should bear its proportion of expenses, inasmuch as it charges to the mail service the entire amount paid for the employment of exclusive porters, even though they performed duties for the passenger service.

As to the first part of the statement, to the effect that in the data furnished for messengers, porters, and station service which were not specifically used by the department, there was no adequate allowance made in any other way, this will now be examined.

It will appear evident that no items for these expenditures could be used specifically unless the individual accounts including such direct expenditures were also segregated and reported separately to the department in order that when the apportionment of expenditures on the car-foot mile basis should be made the department should not participate in a double charge for the same service. Therefore the department assigned to the mail service such expenses for these items as were reported by the companies in this manner; that is, where not only the direct expenditures were reported, but also the expenditures for the accounts including such direct expenditures were also reported separately from other expenditures for like accounts. In this manner $21,993.06 was reported by the companies and directly assigned to the mail service, as shown in Table 7, Document No. 105, and the totals of the accounts including them were eliminated from the totals for station service for the respective systems. Having thus disposed of the direct expenditures which could be used in this manner and ascertained the sum of such like expenses unaffected by the already assigned direct expenditures, this sum was apportioned to the mail service on the basis of the car-foot miles performed in that service. The total of the amount directly assigned, as above stated, and the amounts apportioned upon the car-foot mile basis for all roads reporting, was $167,813.39. It will be recognized that any other method of handling the items would have resulted in a double charge to the Government, because if the amounts reported by the companies directly expended on account of the mail service had been charged to that service, and then the accounts affected included in the total amounts apportioned, it is readily seen that the mails would be charged twice for the same service performed by the companies. This would have been the result had the department followed the plan suggested by the railroad committee, as set forth in the pamphlet, even though the amounts named could have been verified or corrected.

Regarding the claim that the cost of personal transportation furnished the Post Office Department was not allowed for, it may be said that after a careful consideration of this matter it was decided in view of the inability to satisfactorily verify the data of this character reported by the companies and the fact that similar data regarding the passenger service was lacking, the data could not be made use of for the purpose of the inquiry.

## V.

The fifth statement in the pamphlet in support of the propositions advanced is as follows:

"The month of November is not a fair average month in any railway year or one that is typical of a year's business, and its use as the sole basis of the Postmaster General's calculation was so unfavorable to the railways as to deprive the results of any value even if in all other respects his methods were beyond criticism" (p. 13).

To support this the railway committee assert that November is not a typical or average month, that all its deviations from the averages of the year are such as to greatly favor a finding disadvantageous to the companies, and specifically mention that the maintenance of way and structures expenditures for the month of November, 1909, were lower than the average for the year, and that the traffic on passenger trains was lighter and the freight traffic heavier during that month than for the average of the year. From this the committee conclude that the proportion of operating expenses assigned to the passenger service was lower than the average for a month in the

year and that, therefore, the part of such expenditures assigned to the mail service was lower than the average for a month of the year.

At the time the preparations were completed for securing the statistics from the railroad companies, the month of November, 1909, appeared to be the first available month which would probably produce the fairest result, and it was accordingly accepted. As to whether the result was as alleged by the railroad committee will depend upon consideration of more factors than have been set forth by that committee in the pamphlet under consideration, and these additional facts do not appear to support the conclusion of the pamphlet. If it is true that during the month of November the passenger traffic was reduced below the average for the year, it is fair to conclude that there was a corresponding reduction in the operation of purely passenger trains. This would appear to be substantiated by a comparison of statistics of the Interstate Commerce Commission with the department's statistics for November, 1909, as to car and train mileage; that is to say, the Interstate Commerce Commission report shows the average monthly car miles for 1910 to be 249,847,541 for all roads. The department's statistics for November, 1909, show the car miles for the roads reporting (practically all the large systems) as 219,733,424. Again, the Interstate Commerce Commission report shows the average monthly train mileage for 1910 as 45,751,250, and the department's statistics for November, 1909, show the train mileage for the roads reporting as 42,896,628. From this it must be concluded that the car miles and train miles of passenger service performed by the railroad companies in the month of November, 1909, were below the monthly average for a year, and therefore the car-foot miles for the passenger service for November would be less than the average of the year. If this was true the effect of it was to increase above the average the rate of percentage of car-foot miles in the passenger services devoted to the mail service, because the actual space devoted to the mail service in passenger trains is comparatively constant and would not be reduced during the month of November, but on the other hand would inevitably be increased during that month.

Consequently, if the total car-foot miles for all the passenger services were below the average and the mail car-foot miles were the average or above the same, thus resulting in a larger ratio for the mail service in the participation in the expenditures for the passenger services, it can not be maintained that the selection of November was disadvantageous to the railroad companies unless the apparent disadvantage to the mail service be overbalanced by other factors having a contrary effect. That the volume of the mails for November was actually above the average is shown by statistics. The postal revenues from 50 of the largest post offices for the fiscal year ended June 30, 1910, by months, indicated that the month of November exceeded all other months in the year in postal receipts except the months of March and December. The receipts for November were 8.48 per cent of the total for the year, or 0.15 of 1 per cent above the average. Statistics compiled in the department as to the weights of second-class matter (which comprise the large percentage of the mails), by months, show that November is fourth among the months in the quantity handled. Figures secured from a number of large offices for a period of five years show the monthly average weight to have been 29,609,438 pounds, and the November weight 30,064,002 pounds, or 454,644 pounds more than the average. Inasmuch as the space used for the mail service aside from the specific authorizations of space in cars increases as the weight increases, it follows that more than the average space and car-foot miles are necessary for mail service in November, and therefore, even if the passenger car-foot miles were not below the average, and thus increase the ratio of the mail car-foot miles, this increase in weight of mails in November would result in a greater participation of the mails in the passenger operating expenses than in the average month.

## VI.

The sixth statement in the pamphlet in support of the propositions advanced is as follows:

"A commission of Senators and Members of Congress which, between 1898 and 1901, most fully and carefully investigated the subject, ascertained and declared that railway mail pay was not then excessive; since then there have been many and extensive reductions in pay accompanied by substantial increases in the cost and value of the services rendered by the railways" (p. 14).

Under this heading the statement in the pamphlet refers to the fact that a congressional joint commission reported in 1901 that the prices then paid to railroad companies for the transportation of the mails were not excessive, and sets forth the further facts that since 1901 the ratio of railroad mail pay to the gross postal receipts per annum has decreased, and that certain reductions have been made by statutes and administrative order and changes which have lowered the mail income per unit of weight.

The findings of the joint commission referred to must be considered, if at all at this time, in connection with the findings of Document No. 105, based upon a line of inquiry quite different from that pursued previously. The finding of the commission made no discrimination with respect to the services performed by the different systems or roads, while the inquiry upon which Document No. 105 is based disclosed for the first time that the present system of adjustments resulted in an ununiform measure of compensation to the several companies, the result in some cases being a loss and in other cases a gain over cost of operation.

There appears to be even less relevancy to the question to be found in the ratio between total railroad mail pay and the gross postal receipts of the department. The inferential argument in the statistics presented appears to be that there is a necessary relation between the compensation paid railroad companies for carrying the mails and the gross receipts of the postal establishment, and, further, that the railroad companies have some right to receive a proportional increase in compensation for carrying the mails if the gross revenues of the department increase. Neither of these propositions is true. The sources of revenue to the postal establishment are various and are not necessarily connected with the expenditure for transportation on railroads. It is true that the expenditure for transportation on the railroads increases as the weights of the mails increase, but the rate of increase in such pay is not necessarily the same as the rate of increase in postage. Furthermore, there are sources of revenue which are entirely disassociated from the functions involving transportation.

With respect to the items of reduction enumerated on page 16 of the pamphlet it may be said that one at least is not susceptible of verification, and as to all of them they appear to be immaterial except as a part of the argument to show that if the finding of the commission in 1901 was true it is with greater force true to-day. This may be passed with no further comment than what has been made above.

## VII.

The seventh statement in the pamphlet in support of the propositions advanced is as follows:

"The administration of the Post Office Department has not, in the last 12 years, effected any reduction in the annual total of its expenses for other purposes than railway transportation or in the proportion of its revenues required for such other expenses. But the whole saving which has nearly eliminated the annual deficit of the department is represented by the reduced payments, per unit of service, to the railways" (p. 17).

To support this proposition the pamphlet sets forth certain statistics of gross receipts and total expenditures compared with total expenses for railroad mail service and for other purposes separately for the years 1901 and 1911. The fallacy of this line of argument, so far as a comparison between receipts of the postal establishment and expenditures for railroad mail service is concerned, has been fully shown under preceding subdivisions. Any argument based upon comparison of gross expenditures with the expenditure for railroad mail service or any other one item is equally fallacious. If the subject matter remains the same year after year, or if in 1911 it was substantially the same as it was in 1901, its conditions are sure to vary, as, for instance, Congress increases from time to time the compensation paid post-office clerks, railway post-office clerks, assistant postmasters, etc., so that the increase in expenditures never necessarily represents a true gauge for measuring the increase in the business of the postal establishment. It is evident that nothing can be proved by an argument of this character.

## VIII.

The eighth statement in the pamphlet in support of the propositions advanced is as follows:

"The continuous refusal of the Post Office Department to order reweighings of the mails except after the maximum interval of four years which the law allows, the demands for station and terminal services that are rendered without any or without adequate compensation and the unjust discrimination against compartment cars used as railway post offices are all abuses, seriously injurious to the railways, which have grown up under the present system of payment and ought at once to be remedied" (p. 18).

The statements in the pamphlet under this heading are substantially (1) that Congress in providing that the mails shall be weighed not less frequently than once in every four years intended that they should be weighed whenever a substantial change in volume had taken place; (2) that the present basis of payment plainly does not contemplate the performance of side service by the companies between stations and

post offices as required by the department; and (3) that Congress provided for additional payment for full railway post-office cars, but when the practice of requiring portions of cars for the same service was inaugurated no provision for payment therefor was made.

With respect to the periods of adjustment following weighings it may be said that the railroad contract service developed in connection with the contract service for carrying the mails otherwise—that is, on star routes and on steamboat routes—the contract period for which has uniformly been four years. Formal written contracts, where they could be obtained, were entered into with the railroad companies for four-year periods corresponding with the periods of service on star routes in the same contract sections prior to 1873. By the law of 1873 the basis of paying for railroad mail service was entirely changed, and that statute prescribed the present plan based upon the average daily weight of mails carried over the whole length of the route, such average daily weights to be ascertained by a weighing of the mails not less frequently than once in every four years. Following the passage of the law of 1873 the department inaugurated its mail weighings for readjustments on the quadrennial plan, or not less frequently than once in every four years, which general plan has been adhered to ever since. It is understood, however, that reweighings were ordered from time to time when conditions upon routes radically changed during the quadrennial term, but the quadrennial term remained as first inaugurated.

With respect to the second contention, namely, as to the performance of side service, the railroad committee is clearly wrong so far as the original intention of the statute forming the present basis is concerned. The requirement made of railroad companies to perform the service is of long standing and in some form appears to antedate the passage of the act of 1873, which is the basic law for the present plan of readjustments, and continued thereafter without interruption, and with only variations in the manner of the requirement, to the present day. As to whether or not Congress had it in contemplation when the law of 1873 was passed has been considered by the courts and decided in the affirmative. In the case of the Jacksonville, Pensacola & Mobile Railroad Co. *v.* The United States, decided by the Court of Claims in 1886 (21 C. Cls., 155), the company attempted to recover specific compensation for performing this character of service. This claim was denied by the court, which, in deciding the case, said as follows:

"For a long period of time, extending back to the first establishment of the railroad mail service, it has been the practice to include the delivery of the mails within 80 rods of railway stations as part of the railroad route, and that has been promulgated in all advertisements for proposals and in the official regulations published by authority, as shown by Finding XI. A requirement to that effect was inserted in the claimant's written contract (see first of the numbered articles at the end thereof, in contract set out in Finding II), and was no doubt in all written contracts.

"Such a well-established practice, in our opinion, must have been considered by Congress in fixing the maximum compensation, and by the Postmaster General in making his orders allowing the full amount of the maximum, and therefore the pay for such service must be held to be included in the general compensation fixed for the routes."

This decision of the Court of Claims was affirmed by the Supreme Court in 118 United States, 626.

With respect to the third contention, regarding payment for apartment cars, it would be inferred from the language used in the pamphlet that when Congress provided specific additional compensation for full railway post-office cars there was no apartment-car service in existence and that the requirement to operate apartment cars was made afterwards and with no additional compensation, of which complaint is made in the pamphlet. The facts are that apartment-car service existed long before full railway post-office car service, and the Postmaster General was authorized by the act of 1872 (17 Stat. L., 309) to compensate railroad companies who furnish railway post-office cars by allowing such additional compensation beyond that allowed for the service as he might see fit, not exceeding, however, 50 per cent of such rates. It was not until the law of 1873 that Congress afterwards authorized specific additional payment to the transportation pay for full railway post-office cars. This statute, however, repealed the act of 1872 and left the Postmaster General without authority to make specific payment for apartment cars.

As to the question whether, under a proper system of readjustment which shall be entirely just and fair to both the Government and the railroad companies, the latter should not be fully compensated for the service they perform from year to year, as well as the special services between stations and post offices and for the furnishing of apartment cars, there is no difference of opinion between the railroad companies and the department, and the plan as a basis for readjustment which has been suggested in Document No. 105 makes full provision for these features.

## IX.

The ninth statement in the pamphlet in support of the propositions advanced is as follows:

"The Postmaster General's proposed plan of payment based upon operating cost and taxes, to be ascertained by the Post Office Department, plus 6 per cent, is seriously wrong in principle and would encourage and perpetuate injustice" (p. 20).

The statements contained in the pamphlet in support of this proposition are substantially (1) that the operating expenses and taxes plus 6 per cent of the sum of these expenses and taxes constitute an insufficient basis for remuneration for the service, (2) that the basis of cost would be unfair to the economically conducted road as against the road otherwise conducted, and (3) that the Post Office Department should not be given the power of apportioning the operating expenditures between the freight and passenger services.

The first objection has been fully answered hereinbefore.

With respect to the second objection, it may be said that it hardly appears to be of great force, in view of the concession of the department that the basis for compensation should take into consideration not only cost and taxes but, in addition, railroads may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.

With reference to the third objection, the Postmaster General has signified his willingness to recommend as a part of the plan of readjustment proposed that the Interstate Commerce Commission, instead of the Postmaster General, shall be authorized to make the separation of operation expenses between the passenger and freight services.

## X.

### CONCERNING THE SPECIFIC REPLY OF THE RAILROAD COMMITTEE ON RAILWAY MAIL PAY TO THE CHAIRMAN OF THE SENATE COMMITTEE ON POST OFFICES AND POST ROADS.

The foregoing relates to the main body of the document prepared and submitted by the railroad committee. Appended to the document, however, and marked "Appendix G," is set forth a letter addressed to the chairman Senate Committee on Post Offices and Post Roads, and signed by "committee on railway mail pay," etc., in which specific replies are made to certain inquiries submitted by the chairman. The substance of the replies appears to be that the companies represented by the railroad committee prefer the present plan of adjusting pay, with certain modifications, namely, annual weighings, relief from performance of side service, and payment for apartment car service.

No specific reply from the department is needed to the statements and contentions set forth in this letter other than are submitted above in reply to the general body of the pamphlet. However, it should be further stated that the railroad committee on railway mail pay has entirely failed to notice a fact of fundamental importance shown in Document No. 105, namely, that under the present system of paying for railroad mail service the compensation that can be allowed under the law to some railroad companies is inadequate, and probably less than the cost of performing the service. This feature of the results of Document No. 105 is, as we understand, undisputed by the railroad committee on railway mail pay. It is therefore difficult to understand how any system for compensating the railroad companies for carrying the mails can be considered the most desirable if it does not fully compensate each railroad company for the service rendered the Post Office Department. The present plan does not do this, whilst the plan proposed by the Postmaster General in Document No. 105 seeks to do it.

JOSEPH STEWART,
*Second Assistant Postmaster General.*

### PLAN AS MODIFIED BY DEPARTMENT.

On January 24, 1913, I received a letter from the Postmaster General, dated January 20, 1913, submitting draft of a proposed bill incorporating his modified views regarding the general plan for readjusting railway mail pay.

This letter and draft read as follows:

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., January 20, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, Congress of the United States.*

MY DEAR MR. CHAIRMAN: Referring to your letter of the 6th instant, regarding certain proposed modifications of the general plan outlined in House Document No. 105 for readjusting mail pay, and to my reply of the 9th instant, in which I recommended certain legislation in connection therewith and stated that such modifications of the phraseology of the proposed law as were found necessary to effect the changes recommended would be prepared as early as practicable, I have the honor to submit herewith an amended draft of the proposed legislation.

Yours, very truly,

FRANK H. HITCHCOCK,
*Postmaster General.*

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TENTATIVE DRAFT OF PROPOSED LAW FOR REGULATION OF RAILWAY MAIL PAY.

The Postmaster General is authorized and directed to require companies operating railroads by steam, electricity, or other motive power, carrying the mails to furnish, under oath and seal, not less frequently than once in each fiscal year, such information relating to the service, operation, receipts, and expenditures, and such other information of such roads for a period of not less than thirty days, to be designated by him, as may in his judgment be deemed necessary to enable him to ascertain the cost to the companies of carrying the mails on their respective roads and the proper compensation to be paid for that service. He shall require all such companies to submit such information not later than March first, nineteen hundred and fourteen, and in each fiscal year thereafter, at such times and for such periods as he shall prescribe. It shall be the duty of such railroad companies to furnish such information, and if any railroad company fails or refuses to do so when required its compensation for service rendered thereafter until such company shall comply and an adjustment is made by the Postmaster General shall be forfeited to the United States and shall be withheld as liquidated damages.

If any officer, agent, or employee of a railroad company shall knowingly furnish any information required under the provisions of this act that is false and fraudulent he shall be fined not more than twenty thousand dollars and imprisoned not more than five years.

The Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper. For this purpose he shall transmit the information furnished by the railroad companies relating to the operating expenditures to the Interstate Commerce Commission, who shall credit, assign and apportion such operating expenditures to the passenger and freight services, and report the result as to the passenger service to the Postmaster General. The Postmaster General is authorized to credit, assign, and apportion the passenger operating expenses as reported to him by the Interstate Commerce Commission, and the taxes in such manner as will determine the proportion thereof chargeable to the mail service, a statement of which shall be given the company concerned. If any railroad company shall object to the method of crediting, assigning, and apportioning the passenger operating expenses and taxes to the mail service, it may file objection with the Postmaster General within twenty days after such statement is made to the company, and the Postmaster General shall thereupon certify the method and objection and such papers as in in his judgment may be essential to an understanding of the method, to the Interstate Commerce Commission, who shall review the finding of the Postmaster General and affirm, modify, or revise the same, and certify the result to the Postmaster General, which action thereon shall be final.

The Postmaster General is authorized and directed to readjust the pay to companies operating railroads for the transportation and handling of the mails and furnishing facilities in connection therewith, not less frequently then once in each fiscal year, commencing with July first, nineteen hundred and fourteen, at a rate of compensation per annum equal to the cost to the railroad companies of carrying the mails as ascertained by him, and six per centum of such cost; in addition, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in

connection with the mail service: *Provided*, That when such sum does not equal $25 per mile per annum, he may, in his discretion, allow not exceeding such rate.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive not exceeding the cost to them of performing the service.

Information shall be furnished and adjustments made as nearly as practicable by accounting systems or roads, and the cost and the compensation for the term shall be stated for all service covered by each system or road. The routes for a system or road may be stated for administrative purposes in such manner as the Postmaster General may determine.

The Postmaster General may order new or additional service during a term for which an adjustment shall have been made or service authorized on any system or road in any train operated by such system or road over any part of the trackage included in the adjustment or authorization, and without additional compensation therefor during such term.

He may order service over new or additional trackage of an adjusted system or road during a term and state the amount performed for the remainder of such term on statistics obtained for the first thirty days of service. Payment therefor may be made at not exceeding the average rate per car-foot mile for the system or road ascertained at the regular adjustment. Entire discontinuance of service over trackage included in the adjustment or thereafter added shall be deducted for at the car-foot mile rate of adjustment or mile rate of authorization. In case the operation of service over trackage included in an adjustment or thereafter added is undertaken by another company during the term, the same may be recognized by the Postmaster General, provided the companies in interest shall file with him their joint agreement as to the part of the compensation of the old operating company to be paid the new operating company; otherwise payment to the company first authorized shall be full payment for all service performed for the term.

The Postmaster General may order service over trackage of a railroad company not operating service under an adjustment or authorization after the regular adjustment for the remainder of the term, and pay therefor at not exceeding $42.75 per mile of trackage per annum.

Service over property owned or controlled by a terminal company shall be considered service of the roads or systems using such property and not that of the terminal company.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, and place them in stations before the departure of trains when required to do so. They shall provide side, terminal, and direct transfer service and all station and depot space and rooms for handling, distribution, and transfer of mails en route, and for offices and rooms for the employees of the postal service engaged in such transportation when ordered by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, all duly accredited agents and officers of the Post Office Department and the postal service, while traveling on official business, upon the exhibition of their credentials.

All cars or parts of cars used for the Railway Mail Service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No payment shall be made for service by any railway post office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay for service shall be allowed for the operation of any wooden railway post office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for any wooden railway post office car run in any train between adjoining steel or steel underframe cars, or between the engine and steel or steel underframe car adjoining. After the first of July, nineteen hundred and seventeen, the Postmaster General shall not approve or allow to be used or pay for any full railway post office car not constructed of steel or steel underframe or equally indestructible material, and not less than twenty-five per centum of the railway post office cars of a railroad company not conforming to this provision shall be replaced with cars constructed of steel annually after June, nineteen hundred and thirteen; and all cars accepted for this service and contracted for by the railroad companies after the passage of this act shall be constructed of steel. The

Postmaster General shall made deductions from the pay of the railroad companies on the basis of the value of the service computed on the car-foot mile basis in all cases where the cars do not comply with the provisions of this act.

The space in cars devoted to the use of the mails, as ascertained during the period fixed by the Postmaster General for the rendition of information by the railroad companies, shall be taken as the basis for computing the car-foot miles devoted to the mail service for the purpose of readjustment, effective from the 1st of July next following: *Provided*, That no credit shall be given for space in cars devoted to the distribution of the mails unless such space shall be authorized by the Postmaster General or unless he shall determine that its use is made necessary by a specific authorization. In computing the car-foot miles, the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction.

If any railroad company shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as shall, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates all mailable matter directed to be carried thereon. If any railroad company shall fail or refuse to transport the mails when required by the Postmaster General upon any train or trains it operates, such company shall be fined such amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it, and impose fines upon them for delinquencies. He may deduct the price of the value of the service in such cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The Postmaster General is authorized to have such weights of mails and measurements of space taken and to collect such other information by sworn employees of the Post Office Department as he may deem necessary and to have such information stated and verified to him by such employees, under such instructions as he may consider just to the Post Office Department and the railroad companies, to assist in the ascertainment of the space used for the transportation and the handling of the mails on railroads, and to employ such special clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroads.

The provisions of this act shall apply to service operated by railroad companies partly by railroad and partly by steamboats.

The provisions of this act respecting the rate of compensation and the determination thereof shall not apply to mails conveyed under special arrangement in freight trains, for which a rate not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

It shall be unlawful for any railroad company to refuse to carry the mails at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding $5,000.

All laws or parts of laws inconsistent herewith are hereby repealed.

By the adoption of the course above outlined and the consequent securement of the information herewith submitted, we now have before us the respective viewpoints of the Post Office Department, through its administrative representatives, and the transportation companies with whom the Government has mail contracts. The attitude of the department having just been made known, no time has been lost by the failure of the committee to organize sooner. We are now able to proceed as a committee in the study of one of the problems submitted to us in that provision of the act of August 24, 1912, constituting the committee.

Respectfully, yours, JONATHAN BOURNE, Jr.,
*Chairman.*

# RAILWAY MAIL PAY

## HEARING BEFORE THE JOINT COMMITTEE ON POSTAGE ON SECOND-CLASS MAIL MATTER AND COMPENSATION FOR THE TRANSPORTATION OF MAILS

JANUARY 28 TO APRIL 3, 1914

# RAILWAY MAIL PAY.

TUESDAY, JANUARY 28, 1913.

COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The joint committee met at 3 o'clock p. m.

Present: Senator Jonathan Bourne, jr. (chairman), Senator John H. Bankhead, Representative James T. Lloyd, and Representative William E. Tuttle, jr.

## TESTIMONY OF MR. JOSEPH STEWART, SECOND ASSISTANT POSTMASTER GENERAL.

The CHAIRMAN. General Stewart, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you please state your age, residence, official position in the Government, and the length of time you have been in the Government employ?

Mr. STEWART. My name is Joseph Stewart. I am Second Assistant Postmaster General. I am 53 years old. I have been in the Government service about 25 years altogether.

The CHAIRMAN. Have you been in the Post Office service all of that time?

Mr. STEWART. Most of the time.

The CHAIRMAN. Will you explain, General, for the information of the committee, the initiation of the inquiry resulting in the report known as Document No. 105, which the committee has before it, and give a history of the reasons leading up to that document and briefly a description of what it purports to contain?

Mr. STEWART. I think it was in the year 1907, while Mr. Cortelyou was Postmaster General, the question came up on inquiry as to what action had been taken by the Post Office Department in compliance with the act of March 3, 1879, which reads as follows:

> The Postmaster General shall request all railroad companies transporting the mails to furnish, under seal, such data relating to the operating, receipts, and expenditures of such roads as may, in his judgment, be deemed necessary to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same; and he shall, in his annual report to Congress, make such recommendations, founded on the information obtained under this section, as shall, in his opinion, be just and equitable.

The transportation of the mails is assigned by the Postmaster General to the jurisdiction of the Second Assistant Postmaster General, and therefore it was incumbent on the Second Assistant Postmaster General to advise Mr. Cortelyou upon that question. He was advised that soon after the passage of that statute of 1879 an

effort had been made to secure the information required, but that these reports of the companies were so meager and unsatisfactory that they were practically worthless for any purposes such as those required by the statute. I think it was the general opinion that at the time the railroad companies did not have their accounts in such shape as to enable them to make the reports which the department needed for the purpose. It was also stated that it had been believed by the department that the spirit of the law of 1879 had been substantially complied with by the several postal commissions, departmental and congressional, that had taken up the matter in the meantime and reported from time to time.

The CHAIRMAN. That is, from the date of the passage of the law up until 1907?

Mr. STEWART. Yes. But that if the Postmaster General desired an inquiry made along the lines of that statute, it was believed that the railroad companies at that time had their accounts in such form as would enable them to respond to the necessary inquiries, and that if he desired an effort made it would be undertaken. He indicated his desire that it should be made; consequently the then Second Assistant Postmaster General directed that the inquiries be prepared.

The CHAIRMAN. Who was Second Assistant Postmaster General at that time?

Mr. STEWART. Hon. W. S. Shallenberger. I had immediate charge of the matter under Mr. Shallenberger, and it fell to my lot to attempt to prepare the necessary forms and inquiries. I afterwards became superintendent of railway adjustments, in whose division the matter would naturally rest, under the direction of the Second Assistant Postmaster General. With the assistance of others in the department I prepared forms and instructions which were intended to bring out from the railroad companies the necessary information with respect to the operation of passenger-train service, the amount of car space devoted to the several classes of service which are known as passenger services, that is, passenger service proper, express service, and mail service, and designed further to bring out the operating expenses as prescribed by the schedule of the Interstate Commerce Commission—I think one hundred and sixteen items for the larger systems. You will observe that the inquiry was started along the line of space as a gauge for ascertaining cost.

The CHAIRMAN. Did you start your inquiry with the impression that the substitution of space for weight was desirable, or was your recommendation of that substitution based upon the results of your inquiry?

Mr. STEWART. The inquiry was not started with any specific idea that space would be substituted for weight, but space was adopted as apparently the only gauge by which we could measure the cost of the service. I endeavored to avail myself of every possible source of information as to the practicability of the plan and as to whether it would elicit information which would bring about the result desired, that is, the ascertainment of cost. In the early stages of preparation I took my plans and instructions to the Interstate Commerce Commission, and consulted with their statistician, Prof. Adams. Prof. Adams very kindly went over the whole matter with me for a number of days, advised me upon them, and expressed opinions as to what ones were practicable and what were not prac-

ticable, and, as a result of that conference, I made changes in those that I had prepared. In order to cooperate with the railroad companies, or rather to have them cooperate with us to the fullest extent, the Second Assistant Postmaster General invited the representatives of the railroad companies, practically all the large systems and representative systems otherwise, to meet with me and other officers of the department to go over our forms and discuss with us their practicability.

The CHAIRMAN. Was this in 1907 or 1908?

Mr. STEWART. No; this was some time after 1907.

The CHAIRMAN. Probably in the year 1908?

Mr. STEWART. Yes; 1908. The task of preparing these forms and instructions and determining their practicability was a large and difficult one because we were practically in a new field pursuing a new line of inquiry and in a new way. In the meantime the Postmaster General changed and Postmaster General Meyer, who succeeded Mr. Cortelyou, directed that the inquiry be continued. The railroad companies met with us and we had a number of conferences going over the forms and instructions. They suggested features that they thought were practicable and indicated others which they thought impracticable, and, so far as those were concerned, we deferred to their judgment.

The CHAIRMAN. As specialists?

Mr. STEWART. Yes, sir. We did not desire to ask anything which was impossible or impracticable of accomplishment, but at the same time we desired to bring out all the information which we thought was necessary to comply with the statute. The result of those conferences was the final completion of the forms. Thereafter the tables and letters of instruction set forth in Document No. 105 were prepared.

The CHAIRMAN. With practical concurrence, so far as you know, on the part of the railroad representatives as to the forms adopted for the purpose of obtaining the information?

Mr. STEWART. Yes. I do not recall any material objections that we had from the railroad companies. It then became a question of getting them out at the earliest practicable moment and receiving the returns. The month of November, 1909, I believe, was the earliest practicable time at that period for securing statistics, and accordingly these forms and instructions were sent out to all the railroad companies to return us the information requested for that month.

The CHAIRMAN. The selection of that month being for what reason?

Mr. STEWART. We thought it was a fair average for the year. Congress, at our request, granted us $10,000 to defray the expenses of the tabulation of these returns. We organized a special force of as expert people as the Civil Service Commission could supply us under the supervision of a trained departmental force for receiving and checking up the returns and making the computations necessary. Later we asked for $10,000 additional, which was granted, to complete the statistics. Before the work was finished the present Postmaster General, Mr. Hitchcock, came into office and authorized the continuance of the work and its completion, and it has been under his administration that the main part of the work in connection with the preparation of Document No. 105 has been done in the department.

The CHAIRMAN. The two appropriations of $10,000 each were expended in the compilation and tabulation of the information submitted by the railroads to you in answer to the forms submitted by you to them?

Mr. STEWART. The larger part of them. We did not expend the whole amount.

The CHAIRMAN. How much was expended?

Mr. STEWART. The exact amount expended was $19,423.20. These forms required the return from the railroad companies of quite exact information with reference to their train operations and the amount of space for these three classes of service devoted to each respectively in the passenger trains operated. We checked up all those reports very carefully with their official time-tables to see that they were correct so far as train operation was concerned. Then we checked up the amount of space devoted to the mail service as reported by the railroad companies with our official records, allowing as a charge against the mail service the space occupied by closed-pouch, apartment-car, and for all railway post-office car service, as set forth on pages 101 and 102 of this document "Railway Mail Pay." The railroad companies furnished us also very complete returns with reference to their operating expenses under the several items prescribed by the Interstate Commerce Commission. The details of these and the manner in which they were used in making an apportionment of expenditures between the freight and passenger services and then apportioning the passenger service to the passenger, express, and mail services are fully set forth in Document No. 105. The purpose of the inquiry, you will observe, was to comply with the statute of 1879 to ascertain the cost of the service and to afford a basis for recommendation to Congress as provided by law. This ascertainment, therefore, of Document No. 105 is an ascertainment of the cost to the railroad companies of carrying the mail based upon the service performed and a fair and equitable apportionment of the operating expenses chargeable to the mail service.

The CHAIRMAN. Was there a commission formed in the department for the purpose of making this study? If so, at what time; and of whom did that commission consist?

Mr. STEWART. After the work of compiling the statistics and making the computations had been done, as shown in the main body of the report, Document No. 105, the Postmaster General on November 4, 1910, appointed a committee to consider the results of the information secured and to report to him thereupon with such recommendations regarding railway mail pay and railway post office car pay as might be deemed proper. That committee, consisting of the Second Assistant Postmaster General; R. S. Sharp, Chief Inspector; Theodore Ingalls, General Superintendent Railway Mail Service; G. F. Stone, Assistant General Superintendent Railway Mail Service; C. B. Keen, post office inspector in charge; and C. H. McBride, Superintendent of the Division of Railway Adjustments. They made a report to the Postmaster General under date of July 25, 1911, and that report is set forth in Document No. 105.

The CHAIRMAN. You were the chairman of the committee?

Mr. STEWART. I was chairman of the committee.

The CHAIRMAN. That report was submitted to the Postmaster General July 25, 1911. I see your letter to the Postmaster General here in Document No. 105, dated July 24, 1911.

Mr. STEWART. The submission of the results of the inquiry to the Postmaster General, and the report of the committee, was done practically at the same time.

The CHAIRMAN. That was July 24, 1911?

Mr. STEWART. Yes, sir.

The CHAIRMAN. And the Postmaster General submitted that information to the Speaker of the House on August 12, 1911?

Mr. STEWART. Yes, sir; that is right.

The CHAIRMAN. In next to the last paragraph of your report to the Postmaster General, as expressed in your letter of July 24, 1911, you say, "The result indicates that the companies represented in the computation would receive annually, under such method of payment, about $9,000,000 less than at present." Do you mean to imply from that statement that, in your opinion, based upon the information received and the deductions made by you in your study of this question, the railroads have been overpaid $9,000,000 annually for the transportation of mail?

Mr. STEWART. No; there is no purpose to make a statement of that kind. The statement which you have read is a statement which is made solely upon the basis of the statistics furnished and the ascertainment made upon those statistics, namely, that having considered the data and considered the computations made by the department, the cost of the service upon that basis $9,000,000 less than the amount which was being paid to the railroads for the transportation charge.

The CHAIRMAN. That is, by the substitution of your plan of space for weight and an allowance of 6 per cent profit on the annual cost of hauling the mail, the Government would pay $9,000,000 less than they pay under the present system? Is that it?

Mr. STEWART. Yes, sir; that is it. Furthermore, it should be borne in mind that I made no recommendation that the railway mail pay should be adjusted upon the ascertainment of Document No. 105. Those statistics were the first statistics ever attempted in an exhaustive manner along those lines. The results were the first results ever worked out by the department, and I think by anyone else upon such basis. While I think they are approximately correct, it was not a result upon which I was willing to recommend the readjustment of pay. If a plan such as we suggested to the Postmaster General and which he sent to Congress should be adopted——

The CHAIRMAN. Which plan do you refer to? We have two plans before us.

Mr. STEWART. The plan recommended by the Postmaster General on the adjustment on the basis of space, on the ascertainment of cost, etc.

The CHAIRMAN. You mean the bill that was introduced at the last session?

Mr. STEWART. Yes; or its modification—either one. If either one were adopted, or, we will say, if the modification were adopted, the department would proceed to make this ascertainment in the best possible manner, mainly along the general and broad lines indicated in Document No. 105.

The CHAIRMAN. Would there not be a vast difference in the estimated saving, or, if you please, the amount paid the railroads as between the enactment of the original bill as suggested by the depart-

ment and the supplemental bill as recently suggested, modifying somewhat the terms, especially the one of allowing a percentage on capital employed in the service rendered instead of the sole allowance being 6 per cent on the cost of the operation?

Mr. STEWART. There would be a difference in two respects. The first one is with reference to the amount of space which would be credited to the railroad companies, or rather charged against the mail service. There would be some more car space charged to the mail service, I think, in the case of apartment cars in cases where the railroad companies might be entitled to a larger credit than they received for space in cars on the return movement. Such credit in regard to full car lines was substantially given as indicated on pages 101 and 102 of the document "Railway Mail Pay."

The second point of difference would be in this: The Postmaster General has stated that in addition to the operating expenses and taxes apportionable to the mail service, and 6 per cent thereof, companies should be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.

In the preparation of Document No. 105 we did not have before us information which would have led to a safe conclusion in regard to that item. If the railroad companies are to be allowed credit for what would be a fair return on the value of the property employed in performing the service it would increase the amount considerably.

The CHAIRMAN. Have you any idea as to what the increase would be?

Mr. STEWART. I have no definite idea, because of the difficulty of arriving at a physical valuation of the property employed.

The CHAIRMAN. Have you an impression? In other words, what change would the last suggested bill, printed on page 109 of this blue pamphlet, make on the $9,000,000 estimated difference in payment to the railroads, as indicated in Document No. 105? How much, if any, would it decrease that $9,000,000 difference in pay?

Mr. STEWART. Stating from a general impression of the subject—and that is all I have—I should say that it would eliminate the $9,000,000, that is, if a fair return were allowed the railroad companies upon a fair valuation of the property employed in performing the mail service in addition to the cost of performing it and 6 per cent. The aggregate amount paid the railroad companies now is probably not in excess of what that aggregate amount would be.

The CHAIRMAN. So that, in the adoption of the suggested plan of substitution of space for weight, an allowance of a fair amount on the capital with no duplication of credit, such as the 6 per cent, the actual operating expenses for handling the mail, there would be no reduction, in your opinion, of the gross amount now paid under the present system to the railroads?

Mr. STEWART. That is my judgment on the best information I have.

The CHAIRMAN. As I understood, in 1907, when you started on this study at the request of the then Postmaster General, Mr. Cortelyou, your impression was that it was desirable to subsitute space for weight. How did you get that impression as to the desirability of space rather than weight before making any study of the problem?

Mr. STEWART. You misunderstood me. I did not start in the inquiry with the idea of substituting space for weight as a basis for paying the railroads. I took space as the only gauge for determining the cost; that seems to be the only gauge for ascertaining the cost of the mail service. Here you have the total cost of all the passenger service, and you have certain elements which represent approximately the service performed for each of the three classes that constitute the passenger service—that is, you have your passenger cars, you have your express cars, and you have the mail cars.

The CHAIRMAN. Then your goal was the determination of the actual cost of operation on the part of the railroads and then the development of a fair plan for compensation to the railroads for that activity?

Mr. STEWART. Yes; that was it.

The CHAIRMAN. Why did the department modify its views presented in document 105, and expressed in the suggested bill, which was introduced in Congress, in order to get a concrete plan before the country and the parties in interest—the Government and the transportation companies—which modifications are shown by the draft of a bill recently received by the commission from the department, giving certain modifications, especially the one of an allowance of a reasonable compensation on capital charges?

Mr. STEWART. Because, Senator, upon a further and more careful consideration of the subject we were convinced that the railroad companies were entitled to consideration for this additional element. We are not prepared to say what that should be. It is a very difficult question, and it involves the physical valuation or ascertainment of capitalization and then the ascertainment of a fair proportion of that devoted to the mail service, and, furthermore, after you ascertain that, a determination of what rate per cent return thereon is due the companies for performing a public function for the United States. It is a difficult question, but we believe that that is an element which should enter into compensation to some extent, and having come to that conclusion, we submitted this amendment to our original plan.

The CHAIRMAN. Why did the department modify its views as shown by its suggested substitution of the Interstate Commerce Commission for the Postmaster General to make the separation of operating expenses between passenger and freight service?

Mr. STEWART. Because after the submission of our plan to Congress it was pointed out that the plan devolved upon the Postmaster General or the Post Office Department the necessity for making a separation of the operating expenses between the passenger and the freight service in order to get a basis for a further separation for the mail service. That is a necessary step in the procedure, but it is a step in which the Post Office Department is not primarily interested, and, furthermore, it has been represented—and I think very properly by the railroad companies—that the Post Office Department, not being primarily interested in that, should not have the great power of making such separation, which separation might become the basis for the fixing of rates for other classes of service in which we are not interested at all; as, for instance, freight and passenger service. Furthermore, the Post Office Department has no interest in making this separation except to obtain a basis for

our further separation to the mail service, and, taking it from these points of view, we suggested that this separation should devolve upon some independent tribunal; as, for instance, the Interstate Commerce Commission, and I have made that suggestion and modified the original plan of the proposed law.

The CHAIRMAN. If I understand, should Congress see fit to enact legislation as presented by your modified plan it is your opinion that the net result in dollars to the Government would be practically the same, or possibly we would pay the transportation companies even more than they are now paid under the present method, 90 per cent of the mail transportation being paid for according to weight and 10 per cent according to space, as represented in the R. P. O. cars. Am I correct in that statement?

Mr. STEWART. That is substantially correct.

The CHAIRMAN. Now, what would be the benefit that the people of the United States would receive? Would the efficiency of the service be improved by congressional adoption of the modified suggested plan coming from the department?

Mr. STEWART. In the first place, the plan would settle the question as to the correctness of the rates. You would then have rates based upon an ascertainment which could not be disputed and which everybody would have to concede were correct rates, so far as adequacy or inadequacy is concerned. You would put an end to the controversy that has been going on for many years as to whether or not the Government is paying too much for railroad transportation. The further advantage in the plan is that it pays every railroad company for the performance of the service which the department receives from it. Under the present plan, as has been shown by the results of Document No. 105, it is conceded that some roads are inadequately paid. Furthermore, the plan, if it is practicable, seems to be scientific in its basis; you ascertain the cost of the service and then you pay that cost plus a fair return on the value of the property employed. That seems to be reasonable and seems to commend itself to the mind.

The CHAIRMAN. Has the cost of the transportation service been satisfactorily ascertained?

Mr. STEWART. Prior to the issuance of this document or including this?

The CHAIRMAN. Including that. Has the cost of the service been ascertained in a satisfactory manner? In other words, has a method of determination as to segregation of the different costs to all parties in interest been satisfactorily determined and adopted?

Mr. STEWART. No; it has not been. Really, I think the only ascertainment of cost that has ever been made, that I know of, is Document No. 105. There have been other inquiries as to the adequacy of railroad rates, but, as I understand it, there has been no actual ascertainment of the cost by any commission. Now, so far as Document No. 105 is concerned, the method employed by the department in making an apportionment of expenditures and in computing car foot miles is more or less disputed by the railroad companies interested.

The CHAIRMAN. That is the point I wanted to bring out. As I understand, the railroads claim from the information submitted to you that they receive from the mail 3.23 mills per car-foot mile; they receive from other service 4.35 mills per car-foot mile. Now, on the

same information submitted by them you draw the deduction that the railroads receive for revenue from mail service 4.14 mills per car-foot mile and a revenue from other service of 4.16 mills per car-foot mile. It would seem as though you were a long way apart in the deductions that you draw from the same figures, and it would look to me as though it would at least be difficult for you to get together in a satisfactory determination of a yardstick, if you please, by which to measure the amount to be paid by the Government to the transportation companies.

Mr. STEWART. That would be entirely true, Senator, with the first effort, as, for instance, is shown in document 105, but the plan which we have suggested includes this, that where the railroad companies dispute any method employed they have the right of appeal to the Interstate Commerce Commission. That question, then, would go before the Interstate Commerce Commission and would be settled, so that, after one or two ascertainments of cost practically all the questions involved would be settled by precedent, and after that there would be very little ground for dispute between the department and the railroad companies. The question as to how much space should be allowed the companies where the companies run larger cars than those which are authorized by the department—and they claim in all cases that they should have credit for the entire length of the car—would be settled once for all after an appeal had gone to the Interstate Commerce Commission and both sides had their hearing. If the Interstate Commerce Commission decided that the companies were right in their contention with respect to that, the department, of course, would acquiesce; it would have no recourse otherwise and would have no interest to do anything else but acquiesce with the ruling. On the other hand, if the commission decided the department's plan was right no doubt the companies would acquiesce with just as much grace.

The CHAIRMAN. You think the Interstate Commerce Commission could determine that?

Mr. STEWART. I think so.

The CHAIRMAN. Under date of January 3, 1913, I addressed a letter to the chairman of the Interstate Commerce Commission, in which letter I asked, among other things, the following:

> In order, therefore, to aid the joint committee in the inquiry about to be undertaken, I shall be pleased if your commission will have an analysis made showing the relative returns to the railroad companies for the different classes of traffic they handle; namely, passenger, freight, express, and mail, approximating as nearly as possible the expense to the railroads for handling such respective classes of traffic as compared with the earnings received by the railroads from such traffic.

Then followed the inquiry in reference to the R. P. O. cars. Under date of January 7 Mr. Prouty, chairman of the commission, replied as follows:

> Further replying to your letter of January 3, 1913, in reference to cost of handling mail matter in comparison with other passenger-train service. Having laid the matter before my associates, I am instructed to say:
>
> First. The commission now has no figures from which the information asked for by you could be compiled. In one or two cases this matter has been incidentally gone into, but in so fragmentary and unsatisfactory a manner that we could not, upon the strength of what was there developed, experess an opinion.
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> Second. The commission has no knowledge and no means of knowing the expense of maintaining postal cars. Some time ago we sent to Congress some information as to the relative cost of maintaining steel and wood cars.

Third. The commission could by means of an investigation to be instituted by it probably give you information on both these points, certainly on the first point which would be reliable, but such a proceeding would require several months, possibly a year and would be somewhat expensive.

So that practically all there would be at the present time would be the result of your several years' study, as presented in Document 105. That is true, is it not?

Mr. STEWART. Yes. But so far as the relevancy of what you have said is concerned, what I was proposing you should bear in mind was that that reply of the commission is made upon their present information, and an appeal under this proposed law to the Interstate Commerce Commission would send up all of our ascertained facts upon those points, and the commission would not be without the means of deciding. I can realize how they must necessarily answer as they did at this time, but the questions which we would submit to them on an appeal from the railroad companies would be with reference, for instance, to a specific case, as to how much space should be charged the mail service under specific conditions, naming all the facts and circumstances and data submitted by the railroad companies and checked by us and which would be certified to the commission. They would have it all before them.

The CHAIRMAN. Then you think the commission could determine whether the yardstick that you take, namely, that the railroads receive 4.14 mills per car-foot mile for the postal service and 4.16 mills per car-foot mile for other service is correct, or whether the railroads' conclusions as quoted above are correct?

Mr. STEWART. Yes, sir; because we would certify all the facts to them, having ascertained them, and they would determine whether our methods were the right ones or whether the railroads' methods were the right ones; but most of those appeals would go up on specific questions, such as the one I mentioned—what charge should be made against the mail service for running a 60-foot car in both directions where we authorize only 50 feet of space in it; should the company receive credit for the entire length of the car because they have to run it as an operating proposition in connection with the mail service which we authorize, or should they receive credit for only the 50 feet which we authorize and in connection with which they have to run 10 feet more? That is the kind of question that would go before the commission.

The CHAIRMAN. Let me see if I understand your position. You recommend the enactment of the suggested legislation, not with the expectation of saving the Government anything in dollars paid to the railroads as compared with what is now paid under the present system, but purely for the reason that, in your opinion, it is more scientific, will be more equitable, and less provocative of irritation or dispute between the governmental representatives and the transportation companies. Does that sum it up?

Mr. STEWART. Yes.

The CHAIRMAN. Are there any other features?

Mr. STEWART. One strong feature in regard to the proposition is this, which I mention incidentally: That it guarantees a proper return to every railroad company for the service they perform.

The CHAIRMAN. That is covered in the question of the more equitable payment to the transportation companies?

Mr. STEWART. Yes; it is not free from difficulties, however, as we have informally discussed.

The CHAIRMAN. Would it be more expensive in administration?

Mr. STEWART. I do not think it would be. We have now our field force thoroughly organized; they are competent and sufficient to report upon the question of space that would be adequate. You must remember that, while we pay only for car space now about one-tenth of the total charge, practically the whole question of cars pace, which covers a very large per cent of the mail service, is a matter now of ascertainment, report, and authorization. That is to say, we ascertain now and practically authorize the space in apartment cars for which we pay no specific charge. We pay a specific charge for the regular railway post office cars. So that our field force now is sufficiently organized to make the proper reports on what space is necessary. The additional space which we do not now report upon and specifically authorize would be the space for the closed-pouch service, and that would have to be ascertained by a weighing of the mails at the period specified in the act.

The CHAIRMAN. Representing less than 10 per cent of the mail?

Mr. STEWART. Yes.

The CHAIRMAN. On the substitution of space for weight would you not have to keep an account of every car?

Mr. STEWART. We would make an authorization of space of what would be required in every line of cars, whether full cars or apartment cars.

The CHAIRMAN. Would you not, under that plan, have to keep a separate account on each authorization?

Mr. STEWART. No. The authorization would be made and record kept on our books. When the statistics were taken and reported by the companies they would be checked up with our authorizations.

The CHAIRMAN. But in your opinion, under the proposed system and the present system of weights, there is no opportunity for any padding of mails or cheating the Government or anything of that kind?

Mr. STEWART. No, sir; I think not.

The CHAIRMAN. And there is no irritation now, because when it has been found that mistakes have been made, they are adjusted satisfactorily by the department?

Mr. STEWART. Yes.

The CHAIRMAN. So that you have to-day, under the present method, the least possible degree of irritation?

Mr. STEWART. Yes. I think that can be fairly said, especially where you have two bases of pay, as we now have, both weight and space.

The CHAIRMAN. It is your judgment that by the substitution of space for weight you eliminate weight entirely, except on pouch matter, representing 10 per cent of the mail?

Mr. STEWART. Yes.

The CHAIRMAN. So you would just reverse your present position. Under the existing condition of ascertainment by weight, approximately 90 per cent of the mail pay is ascertained by weight?

Mr. STEWART. Yes.

The CHAIRMAN. And 10 per cent ascertained on space represented by the R. P. O. car?

Mr. STEWART. Yes.

The CHAIRMAN. And now you propose to reverse that and have 90 per cent represented by space and 10 per cent by weight; that is, the pouch mail?

Mr. STEWART. That is substantially correct.

The CHAIRMAN. So you substantially have the two systems which you have to-day, but transfer the percentages?

Mr. STEWART. There would not be two systems in this sense: That we simply weigh closed-pouch mail to ascertain a proper space charge.

The CHAIRMAN. You determine the proper charge for the space used on the weight itself?

Mr. STEWART. Yes, sir; the weight of the closed-pouch mail during that period.

The CHAIRMAN. It would cost the Government less by the adoption of your method, substituting space for weight, than the present system of quadrennial weighing?

Mr. STEWART. The adoption of the method of space for weight would be a saving.

The CHAIRMAN. Would be a saving of what?

Mr. STEWART. That is very difficult to say accurately. I think at one time we made some estimate, but I do not recall the result. I do know that the result was less than the cost of weighing.

The CHAIRMAN. The cost of weighing for the four years was practically $1,600,000?

Mr. STEWART. Yes. Of course, in addition to the work in the field we would perhaps have to have an additional force employed during the 30 days of the statistical period.

The CHAIRMAN. That would be required every year under the supplemental plan submitted by the department?

Mr. STEWART. Yes. But it would not be very expensive because our present force would be almost ample. In addition to that, when the reports came in to the department we would have to have the means for handling them, checking them up, and for making computations. In this respect there would be considerable expense. We now have a division called the Railway Adjustment Division, whose work is devoted to the adjustment under the present plan. The work of that division could be adapted very largely to the new work, but it would require an additional force.

The CHAIRMAN. You have made no estimate as to what the cost would be?

Mr. STEWART. No.

The CHAIRMAN. Have you any idea that you think would be of value on that?

Mr. STEWART. Yes. You can get an idea from what we did on Document 105. It cost us $20,000 to complete that work.

The CHAIRMAN. But that was compilation and tabulation?

Mr. STEWART. Yes, sir.

The CHAIRMAN. Under this other method you have to get your ascertainment. The railroads are not going to give you that information, but you have to get it yourselves through your own organization, as to what the space is, as to what amount you will need and what amount you authorize, and it seems to me it would cost you more than the mere compilation and tabulation?

Mr. STEWART. No. The information is required to be furnished by the railroad companies. You will notice the first paragraph of the proposed statute but it would be checked by the Department as far as practicable.

The CHAIRMAN. Are you going to let the railroads determine what space you will take?

Mr. STEWART. No. We authorize that from time to time. We set the standard of what we need. The railroad companies furnish us the information as to the operation of their trains and the space devoted to these three classes of service during those 30 days. The work that I referred to in the department would be the work of checking up those returns with our authorizations, just as we did in preparing Document 105, so as to verify their report of service performed.

The CHAIRMAN. But you would have a number of activities under this plan that are not represented in Document 105. In the first place, you would have to get the information as to the space you require. In the second place, you would have to notify the railroads what space you authorize and then get information as to the space that you use, and you would have to keep an account with each activity, it seems to me, which you do not have to do under the weight yardstick.

Mr. STEWART. We do not have to do that with reference merely to weight now, but we do with reference to full post-office railroad cars. We do not with reference to apartment cars.

The CHAIRMAN. You do not on the storage cars?

Mr. STEWART. No, sir.

Mr. LLOYD. Under this section do you not have to make an ascertainment on the apartment cars?

Mr. STEWART. Yes, sir.

Mr. LLOYD. What would you do on the blue-tag mails?

Mr. STEWART. The blue-tag mails would be handled just as they are now, on fast freight trains.

Mr. LLOYD. You make no suggestion of charging with reference to that?

Mr. STEWART. No, sir. In regard to that we recommend that they be continued; that the Postmaster General be authorized to continue those shipments at reasonable freight rates on fast freight trains.

Mr. LLOYD. I want to ask what your objection is to the ascertainment that is made by the railroad companies? As I understand it they take the net investment in road and equipment which is given by the Interstate Commerce Commission in the statistics of railways in the United States in the last ascertainment that was made in 1910 as $14,387,816,099. Then the railroad company takes that as a basis and uses the percentage that is received in revenue from the mails as compared with other sources of revenue, which is 1.78 per cent, according to that authority, and make a computation which shows that the capitalization which would be authorized to be charged against the mails would be about $250,000,000. Then, on that basis of $250,000,000 they take 6 per cent, which would be about $15,000,000. Now, that is the statement which they make, and they claim that ought to be charged up to expenses and be paid by the Government. What is your objection to that statement?

Mr. STEWART. My criticism of the statement would be in these particulars. The $14,000,000,000 is assumed to represent the proper capitalization of the road. Is it the bonded indebtedness?

Mr. LLOYD. The statement is given by the Interstate Commerce Commission under the head of "Assets." "Net investment in road and equipment." Then it has other items "Book value, system of securities permanently held, other permanent investments, working assets and accrued interest not due, sinking and redemption fund, all other deferred debit items." These amount to nearly $7,000,000,000, these other items making the total assets of the railroad companies a little over $21,000,000,000. Then in the liabilities they charge stock a little over $8,000,000, mortgaged, bonded, and secured debt a little over $10,000,000 working liabilities, accrued liabilities not due $1,000,000,000, deferred credit items $161,000,000, property surplus $331,000,000, profit and loss $1,039,000,000. Those are the two sides of the account.

Mr. STEWART. If the $14,000,000,000 represented substantially the final valuation of the property, there would be no criticism against that item as such. The 1.78 per cent which they charge to the mail service is subject to this criticism: That it is ascertained on the basis of mail revenue, which seems to me to beg the question in this respect, that it employs as a basis for apportionment the item in controversy, namely, compensation paid the companies.

Mr. LLOYD. Is not the assumption equally good as against the other items of revenue? Here is the freight revenue, the passenger revenue, the mail revenue, the express revenue, and the different items. The total revenues received for that year were $2,750,670,435. This makes a total of 100 per cent, of which amount of receipts the mail was 1.78 per cent.

Mr. STEWART. Yes. Its correctness would further depend also upon whether there was a necessary connection between the revenues and the facilities which are furnished by the railroad companies through which those revenues are derived. One of the largest questions, to my mind, in dealing with the physical value of property is the determination of what facilities the railroad companies employ which are used in connection with the mail service sufficiently to constitute a charge against it.

Mr. LLOYD. What expense used in strictly passenger service is not found in mail service?

Mr. STEWART. Take, for instance, the great station at New York. The Pennsylvania Railroad Co. is one of the best examples. There is a station costing nearly $100,000,000, the larger part of which might be admitted by everybody to be a passenger facility, in which the mails are not interested at all. They have provided us with splendid mail facilities, and yet only a small part of the cost of the entire service should be charged to the mail service. The same is true of the Union Station at Washington. There is a magnificent edifice largely devoted to passenger service with facilities of every kind, elaborate, in fact, to take care of the passengers. The mail service is not directly or even indirectly interested in any of that. They furnish us, however, all the facilities we need for the mail service.

Mr. LLOYD. Take the other side, what is there that is furnished the mail service that is not furnished in passenger facilities?

Mr. STEWART. These special services which these gentlemen have mentioned informally.

Mr. LLOYD. We are not supposed to know that they said anything informally.

Mr. STEWART. Well, the fast mail trains, for instance.

The CHAIRMAN. Representing how much, in dollars?

Mr. STEWART. I could not tell you that because really the railroad companies furnish us this fast mail service without any additional specific compensation.

The CHAIRMAN. But it is an additional expense to them?

Mr. STEWART. An additional expense, but at the same time it is an additional advantage to them, because they thereby attract to themselves large weights which they otherwise would not get, as a rule. It is not a one-sided proposition at all. They furnish a magnificent service, but they get some return in these respects for furnishing it.

Mr. LLOYD. Is there anything else in the facilities they must furnish that is not furnished the passenger service?

Mr. STEWART. They furnish side service between the station and the post office. Where the distance is 80 rods or less and they have an agent or representative they are required to carry the mails between the station and the post office. They also perform terminal service; that is, they carry the mails between the station at the end of the route and the post office in cases where the department does not provide otherwise.

The CHAIRMAN. What does the side service represent, in your opinion?

Mr. STEWART. Something over $4,000,000 a year, if the department was compelled to provide it.

Senator BANKHEAD. Why should the railroad companies be required to deliver the mails between the station and the post office?

Mr. STEWART. The railroad service grew up as a contract service in connection with the old star route service, and under the old stage or star route contracts the stage had to deliver the mails into every post office along the route. The contracts were made with railroad companies first right along with the star routes; they were handled by the same people in the department; the same clerks handled both classes of service. When the law of 1873 was passed the same general requirements which had applied to all contract service were simply continued in operation, and when the question came up in court years afterwards, upon a suit to recover for payment for this side service, the Court of Claims held that Congress took that service into consideration when they established the rates of 1873. Therefore, we have practically a duty to continue that requirement.

Senator BANKHEAD. Is there anything in the law that would indicate that Congress did take that into consideration when they established the rates?

Mr. STEWART. Only the history of the matter.

Senator BANKHEAD. Then you continue it because it is ancient?

Mr. STEWART. Not only because it is ancient but because the court has said that Congress must have had that in view when they fixed the rates.

The CHAIRMAN. I do not think the department has any alternative, under the existing law.

Senator BANKHEAD. I would like to pursue that a little later on.

Mr. STEWART. I have not finished all I was going to say about the question asked by Mr. Lloyd. If we assume that the 1.78 per cent of this $14,000,000,000, based upon the proportion of the mail revenue to the whole revenue, is a proper segregation to the mail service, then it becomes a further question as to whether the United States should pay 6 per cent upon it.

Mr. LLOYD. If they paid 6 per cent it would be about $15,000,000, but suppose they paid 4 per cent? That would be $10,000,000.

Mr. STEWART. If you say 6 per cent, that is virtually putting the United States on the same basis as a passenger or a shipper of freight, and it raises this very interesting question as to whether the relations between the United States and the railroad companies carrying the mails for the Untied States are the same with respect to compensation that they are between the passenger or the shipper of freight and the railroads.

Mr. LLOYD. Is not this true: If you consider that phase of it, that either the mail ought to be carried at its cost by the railroads as a gratuity, or the railroad company ought to have the same compensation as an individual would pay for the same kind of service?

Mr. STEWART. Well, that is a question.

Mr. LLOYD. Is not that really the question?

Mr. STEWART. Yes.

Mr. LLOYD. If there is a patriotic influence that must assert itself by the railroads, ought it not to prompt them to do this service without compensation, just simply at cost; but if no patriotic consideration is to be observed, then would it not be right for the railroad companies to be paid just the same as an individual would pay if the Government were an individual?

Mr. STEWART. I do not know whether you could push that consideration of patriotism as far as you suggest; that is, that they should perform services only at cost. On the other hand, the Supreme Court has recently held that a railroad company in carrying the mails is performing a governmental function and they are not in the same relation to the Government that they are to the ordinary individual.

Mr. LLOYD. That is due to the fact that the Government requires them to do some things that an individual could not require. For instance, you require them to carry the mail on the fastest trains and you make the specifications by which they shall be governed in carrying the mails. You designate the kind of car and you designate everything connected with the equipment, while the individual shipper could not make that kind of a designation. The designation to the individual shipper must necessarily come, and does come, from the railroad companies.

Mr. STEWART. In other words, you construe that dictum to mean this: That the obligations a railroad company owes to the United States are different in their essentials than in its obligations it owes to the passengers?

Mr. LLOYD. The obligation is greater because we make it so by law.

Mr. STEWART. I see your point.

The CHAIRMAN. And the requirements are greater.

Mr. LLOYD. If they carry the mail at all they have to carry it as the Government directs them.

Mr. STEWART. Yes, sir. That is what is held by the court.

Mr. LLOYD. While on the other hand the individual is not placed on the same basis at all. The railroad companies say to him, "We will carry this for so much money." He takes it or not, as he pleases.

Mr. STEWART. The individual goes to the railroad company as going to a common carrier?

Mr. LLOYD. That is right; and the railroad company dictates the terms. The United States goes to the railroad company and the Government dictates the terms.

Mr. STEWART. That is the main distinction, although in the case of the common carrier, of course, the rates must be reasonable.

Mr. LLOYD. Certainly. Yes.

Mr. TUTTLE. Has it not always been the policy of the Government to pay a profit to these railroads, or have they not contemplated that the railroads were earning a profit in carrying the mails?

Mr. STEWART. Oh, yes, sir.

Mr. TUTTLE. They have never estimated that the mails were carried at cost and never expected them to be?

Mr. STEWART. No, sir.

Mr. TUTTLE. And they never subsidized the railroads by paying them more than they were entitled to?

Mr. STEWART. In some cases they have been subsidized somewhat, as, for instance, in what was called the special-facility trains from New York to New Orleans. In that case there was an appropriation carried for a number of years for a fast through mail train from New York to New Orleans. Then there was a train from Kansas City to Newton, Kans., carried for a few years at a special rate of compensation provided by Congress in addition to the ordinary compensation.

Mr. LLOYD. Those were discontinued some years ago?

Mr. STEWART. Those were discontinued some years ago; yes.

The CHAIRMAN. General, as I understand your position in reference to special mail trains and the expense to the railroads incident to putting them on, while there is no direct compensation to the railroads for that extra cost to them for the improved facility, there is an indirect compensation to them because of the increased business that they get incident to the adoption of that improved facility. Is that right?

Mr. STEWART. Yes, sir.

Senator BANKHEAD. What amount of penalty does the Post Office Department receive annually from what is known as a failure to deliver the mail on schedule time? Haven't you a penalty attached for that failure?

Mr. STEWART. No, sir; not at this time.

Senator BANKHEAD. You used to have?

Mr. STEWART. We used to have, by special direction of Congress, and that was carried, I think, for two years, and we assessed fines against the railroad company for failure to keep their schedule time.

Senator BANKHEAD. I know that was in practice at one time not very long ago.

Mr. STEWART. Yes. But that was discontinued for this reason—that all the fines we would assess for this purpose did not accomplish

anything in the way of improving their schedules. It simply caused irritation, and took the money of the road instead of allowing it to go toward improved service.

Senator BANKHEAD. I supposed the same rule was in vogue now.

Mr. STEWART. No. Upon our representation to Congress of those facts Congress dropped that out of the appropriation bill.

Senator BANKHEAD. You spoke awhile ago of subsidizing trains from New York to New Orleans. You finally decided you did not want them any more because it was an additional expense to them, and the additional pay they received would not justify them in the schedules they were required to make, and in the end all the additional pay they received was taken in fines, because they failed to make a schedule, and I think the Post Office Department made the schedules for them and said when they should leave and when they should arrive at a certain destination?

Mr. STEWART. Yes, in order to make connections we would have to do that. In the case of a train like that, if they did not make their schedule we would fine them.

Senator BANKHEAD. Yes. That is what I had in mind.

Mr. LLOYD. Let me sum up. If the $14,000,000,000 can be taken as a correct estimate of the capitalization of the railroads and 1.78 per cent can properly be taken as the share that goes to the railway mail pay, and 6 per cent on that capitalization be taken as a fair compensation on account of capital, then is it not true that the railroad companies ought to receive $15,000,000 annually more than they now receive.

Mr. STEWART. That is true, granting those premises.

Mr. LLOYD. Yes. Granting those premises.

Mr. STEWART. That would be reduced by the subtraction of the $9,000,000, so that it would be an aggregate increase of the difference between $9,000,000 and $15,000,000?

Mr. LLOYD. Yes. But I mean, your original asttement was, if you took the $9,000,000 into account it would add $15,000,000 to the other side, and taking the $9,000,000 would leave $6,000,000 that might, under the present system, be received by the railroads that ought not be received?

Mr. STEWART. That is correct.

The CHAIRMAN. In a report of Mr. Wm. F. Vilas, Postmaster General, in the year 1887, in the discussion of R. P. O. cars, the following appears:

It is within bounds to affirm that all these might be to-day purchased or their duplicates manufactured for $1,600,000; add for cleaning, etc., as above, at $720 per year each for 342 in use, $246,240, the total is reached of but $1,846,240. Yet simply for the use of these cars for the last year, including cleaning, etc., the department was under the annual rate of charge by the existing system of $1,881,580, and the estimate deemed necessary to submit in prudent provision for the coming fiscal year, on the same basis, is $2,000,000.

Reference to special instances in the annexed table of the longer lines discovers greater disparity than the average. In illustration, $59,037.75 is annually paid on one line for the use of four cars that might be built and fully equipped in the best modern style for less than $17,500; and this in addition to the full-weight pay for transportation, amounting in the case mentioned to $504,573.69.

Instead, then, of appropriating $2,000,000 to rent the use of these cars for the coming year why should not the appropriation be of a smaller sum to buy them and of another, say, $250,000 for their keeping, the two together not aggregating the proposed rent? The department will thereafter gain at least $1,500,000 per year while sustaining the cost of casualties.

If Mr. Vilas was sound in his inferential recommendation made in 1887, why is it that the department has taken no action on the line of the recommendation as set forth in the quotation from the report just read?

Mr. STEWART. I do not want to criticize or say anything in the way of criticism of so great an authority as Postmaster General Vilas, nor can I say specifically why the department has not taken definite action to change the law with respect to car pay.

The CHAIRMAN. The department could not change the law, but the department could make suggestions and recommendations as it has done in document 105.

Mr. STEWART. That is what I meant to say, Senator. However, I presume the fact that the views expressed by Postmaster General Vilas have never been largely held by the departmental officers would account for the reason that there was no recommendation to change the laws in that respect. The fallacy of the statement of Mr. Vilas, it seems to me, lies in this: That there is no account taken of the cost of operating the cars. The payment that we make to the railroad companies for cars may soon equal their cost, but there is nothing to be argued from that as to the adequacy or the inadequacy of that pay, because that leaves out of consideration entirely the cost of operating or hauling the cars.

The CHAIRMAN. How many R. P. O. cars are now used by the railroads?

Mr. STEWART. On June 30, 1912, there were 1,388 in use and in reserve. In connection with this question, Mr. Chairman, I would like to submit as a part of my reply the letter of Postmaster General Hitchcock to Hon. John W. Weeks, chairman of the Committee on Post Offices and Post Roads, House of Representatives, dated March 2, 1910, in specific reply to the question raised by Postmaster General Vilas in the report to which you have referred.

OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., March 2, 1910.*

Hon. JOHN W. WEEKS,
*Chairman Committee on Post Offices and Post Roads, House of Representatives.*

MY DEAR SIR: In response to your inquiry made of the Second Assistant Postmaster General in regard to the cost of maintaining and operating railway post-office cars and its relation to the compensation received by railroad companies for the same and your reference to the speech delivered by Senator Vilas on the subject in the United States Senate February 13, 1895, I have the honor to advise you as follows:

The department has not at this time sufficient information upon this point to give from its own records a reliable estimate. As you are aware, we have recently asked railroad companies to submit answers to inquiries with reference to the cost of operating the mail service, and it is believed that when these shall have been received we will be in a position to furnish such information. Inasmuch, however, as it may be of importance to you to have estimates made from time to time by others and such incomplete information as we have at present, I submit the following:

The cost of operating a railway post-office car has been variously estimated (but not officially by the department) as from 15 to 30 cents a car-mile. The average run per day of such a car is about 300 miles. Estimating the cost at 18 cents a car-mile, the total cost of operating such car for one year would be $19,710.

The specific items which constitute this total cost are not definitely known to the department. However, as to the cost of lighting, cleaning, repairs, etc., the General Superintendent of Railway Mail Service furnished the following estimates before the commission to investigate the postal service in 1899, viz: Lighting, $276; heating, $365; cleaning, water, ice, oil, etc., $365; repairs, $350; proportion of original cost of car (estimating the life of a car at 15 years and the original cost at $6,000), $400; total, $1,756. Recent inquiry gives the following as the approximate cost of maintaining a car at the present time: Lighting (electric), $444; heating, $150; cleaning, $360;

repairs, $300; oil and brasses, $120; interest on cost of car (at $7,500), $300; annual deterioration (estimating the life of a car at 20 years), $375; total, $2,049. These figures give the cost of a car built according to the department's standard specifications. The cost of modern steel cars being built by some of the railroad companies is from $14,000 to $15,000.

The compensation received by a railroad company for operating a car and carrying the mails in it would be approximately as follows:

The pay for a 60-foot car at $40 a track mile per annum for a track mileage of 150 miles would be $6,000. The average load of a 60-foot car, according to statistics obtained recently, is 2.83 tons. The rate per ton of an average daily weight of 50,000 pounds carried over the route is $25.06. At this rate the company would receive $10,637.97 per annum for the average load of mail hauled in the car. This sum added to the specific rate for the railway post-office car ($6,000) makes the total pay for the car and its average load $16,637.97 per annum.

Senator Vilas's argument was based upon the theory that the rates fixed for railroad transportation alone, based on the weights of the mails carried, are adequate compensation for all services rendered, including the operation of railway post-office cars, and that therefore the railroad companies would be required to operate postal cars owned by the Post Office Department for the compensation allowed by law for the weight of mails alone, including apartment-car space and facilities. Such theory is not justified by the facts, as will appear from the following:

A careful perusal of the debates in both Houses of Congress which led to the enactment of the present law fixing the rate of pay for railroad transportation of the mails and for railway post-office cars clearly indicates that the additional compensation for railway post-office cars was intended to cover the additional expense imposed upon the railroad companies for building, maintaining, and hauling such cars. The companies at that time insisted that these cars, which were practically traveling post offices, did not carry a remunerative load, and that therefore the amount of pay, based on weight, did not compensate them for their operation. This led to the specific appropriation for railway post-office cars. In this connection it should be borne in mind that the purpose of the railway post-office car is to furnish ample space and facilities for the handling and distribution of mails en route. Therefore the space required is much greater than would be required for merely hauling the same weight of mails.

In regard to any proposal for Government ownership of postal cars, other facts as well as the above should be given consideration. Such cars must be overhauled, cleaned, and inspected daily. It would be necessary to either arrange with the railway companies for this service or for the department to employ its own inspectors, repair men, and car cleaners at a large number of places throughout the country, which would probably be more expensive than the cost to the railway companies in that respect at present. It would hardly be feasible to establish a Government repair shop. Therefore the department would be compelled to use the shops of the several railway companies throughout the country. Without the closest supervision and attention of the Government's inspectors it could scarcely be expected that our cars would receive the same consideration in railroad shops as those owned by the railway companies. These shops are frequently congested, and it is probable that the railroad work would be given the preference.

Yours, very truly,

FRANK H. HITCHCOCK,
*Postmaster General.*

The CHAIRMAN. What is the average cost of the R. P. O. cars?

Mr. STEWART. I do not know. The companies are now building steel cars and the cost of a steel car is very much greater than the cost of a wooden car. I think the steel car might be built for about $12,000. Under the present law, Mr. Chairman, all the cars which shall be used in the service, excepting those which are now of steel and steel underframe, must be replaced by steel cars before the 30th of June, 1917.

The CHAIRMAN. At the rate of 25 per cent a year?

Mr. STEWART. Twenty-five per cent a year, beginning with the fiscal year 1914.

The CHAIRMAN. Is it true, according to your knowledge, that under a determination of the Interstate Commerce Commission the Government now pays to the railroad companies 25 cents a mile for hauling the car of the Bureau of Fisheries?

Mr. STEWART. I have no personal knowledge of that. I have been informed that it is correct.

The CHAIRMAN. Is the mileage that the R. P. O. cars are hauled easily ascertainable? Have you that information in your office so that it could be easily determined without any great expense to the Government?

Mr. STEWART. Not very readily. We are not required to keep those statistics because we pay per mile of routes per annum. It would require checking up the official schedules.

The CHAIRMAN. Do you know whether the railroads have such information?

Mr. STEWART. I do not know whether they have.

The CHAIRMAN. Could you readily prepare and submit to the commission a statement showing the number of R. P. O. cars, estimated average cost, estimated cost of cleaning, operating, maintaining, and then a statement as to the cost of transportation; that is, the amount that would have to be paid to the railroads for hauling same, providing the Government owned them? In other words, could you present a statement from the dollar standpoint demonstrating the advisability of the Government's owning and operating the R. P. O. cars or continuing the present system of rental, or would that be difficult and expensive of ascertainment?

Mr. STEWART. It would be difficult for the reason that we have not the statistics which would enable us to reach a determination of cost for those particular cars. We could give you the miles of service a year; we could compile that, but we have not the data to make an estimate as to the cost of operation.

The CHAIRMAN. How long would it take to compile and tabulate data showing the mileage per year, and the cost to the Government on a basis of 25 cents a mile for the 60 or 65 foot cars? That as I understand is the length of the car owned by the Bureau of Fisheries?

Mr. STEWART. I think a few days.

The mileage of full railway post-office cars of all sizes made in the performance of service during the fiscal year of 1912 was 126,798,405. The cost at 25 cents a car mile would be $31,699,601.25.

The CHAIRMAN. In any of your studies of computation have you ever determined the number of postal employees which the railroad companies carry without any additional compensation than the compensation rendered to them in the payment of railway mail service, supposed to cover the cost of the employees as passengers?

Thereupon (at 4.45 o'clock p. m.) the committee took a recess until 8 o'clock p. m.

AFTER RECESS.

The joint commission reconvened at 8 o'clock p. m., according to adjournment.

Present: Senator Jonathan Bourne, jr. (chairman), Representative John W. Weeks, and Representative William E. Tuttle, jr.

## TESTIMONY OF MR. JOSEPH STEWART—Continued.

Mr. STEWART. The railroad companies carry, without specific compensation other than that paid for the transportation of mails, the

railway postal clerks who are engaged in the distribution of the mails en route. In my annual report for 1911 it is stated that during that fiscal year there were a total of 1,657 lines of all kinds manned by 15,575 clerks, representing the working force of the lines. In addition to these men there are also mentioned 30 officials and 130 chief clerks who would travel when necessary. The transfer clerks who are also mentioned would, as a rule, not travel on the trains. In addition to these persons the railroad companies carry under the same conditions the post-office inspectors when traveling on official business for the department, and also the officers of the Post Office Department when traveling on official business and under the orders of the Postmaster General.

The CHAIRMAN. Have you any idea what the average miles traveled would be for these 16,000 governmental employees who practically travel free, except so far as the railway-mail pay is supposed to compensate the railroads for the passenger service rendered to the governmental employees?

Mr. STEWART. No; I have not.

The CHAIRMAN. Is that easily ascertained?

Mr. STEWART. Not easily.

Mr. LLOYD. Do you know how many miles are traveled?

Mr. STEWART. I think we know how many car miles are traveled by the lines in the performance of service, but how many clerks are on those lines I do not know that I could tell you, nor what the average number of clerks per line would be, with any certainly.

The CHAIRMAN. Have you ever made an estimate in the department as to what proportion of the railway-mail pay was in lieu of passenger pay for governmental employees?

Mr. STEWART. No; I never have, but in compiling the statistics furnished us by the railroad companies in connection with the other data, which forms the basis for document 105, the railroads made statements with reference to persons in the Government service carried during that period. I think we have some statistics on that point, but we did not use them, because we had no adequate means of checking the data, and we had no information with respect to the passenger service for the same period.

The CHAIRMAN. Do you think that information would be of value to the commission in the study it now has before it?

Mr. STEWART. If it were reliable and could be depended upon it would be useful.

The CHAIRMAN. You would not doubt the correctness of your own figures and your own deductions?

Mr. STEWART. No; but these are not our own. They were reported and we had no means of checking them.

The CHAIRMAN. You know the number of employees you have in the postal service?

Mr. STEWART. Yes, sir.

The CHAIRMAN. You know the number that travel on cars. It is ascertainable from the mileage or the per diem that is paid these employees?

Mr. STEWART. We could take statistics for a short period upon which we could make an estimate.

The CHAIRMAN. On the doctrine of averages?

Mr. STEWART. Yes.

The CHAIRMAN. And it is easily ascertainable what the passenger rate per mile is over the United States?

Mr. STEWART. Yes.

The CHAIRMAN. And a computation could then be readily made?

Mr. STEWART. Yes.

The CHAIRMAN. Would not that be a factor entering into this study.

Mr. STEWART. It would be worth considering. But it should be borne in mind that the Government pays what you might call a rental for the car in which they travel and the department has always insisted that in paying for the rental of that car we have the right to put anything in it we please. Consequently the very interesting question is raised as to whether the railroad companies are entitled to a fare from these men, or any part of a fare from them or from the Government representing them.

The CHAIRMAN. Would it not have a bearing on the segregation of revenues and cost in the passenger traffic of the transportation companies and the apportionment of the percentage from both standpoints, on the railway mail?

Mr. STEWART. It might, if the whole matter were reduced to a question of space.

The CHAIRMAN. That is what you suggest, is it not?

Mr. STEWART. Yes.

The CHAIRMAN. So it would have a bearing on your suggestion?

Mr. STEWART. And yet, if we are going to go to the space basis, you must bear in mind that the amount of mail carried in the space is not material.

The CHAIRMAN. In the calculations on which you base your space determination, do you figure any space occupied by the Government employees in the cars themselves?

Mr. STEWART. Only so far as it is necessary to handle the mails. Of course that is taken into consideration to some extent.

The CHAIRMAN. Do all the employees ride in the postal cars?

Mr. STEWART. Not always; they do when they are on duty distributing the mails. Under some conditions they are allowed to ride in the coach, but as a rule they ride in the cars. When they are distributing mails they are always in the cars.

The CHAIRMAN. From a governmental and an administrative standpoint, do you think it would be better to have whatever method of pay was determined upon cover the employees as well as the actual mail or to make a segregation?

Mr. STEWART. I would have the rate of pay cover all the service furnished without a segregation.

The CHAIRMAN. It would minimize the possibility of dispute and irritation?

Mr. STEWART. Very much.

Mr. LLOYD. Have you any method of determining or have you attempted to determine how much mail clerks and postal employees use the passenger coaches and Pullman cars?

Mr. STEWART. I think we could give you approximate figures on that. I think the occasions on which they use the coaches are very rare.

Mr. LLOYD. Have you ever used or recommended a different kind of a card or any kind of a statement by the railroad company to indicate that the person was a postal employee traveling in a coach?

Mr. STEWART. Yes, sir.

Mr. LLOYD. Have you had any returns from that?

Mr. STEWART. You mean for the purpose of getting statistics?

Mr. LLOYD. Yes.

Mr. STEWART. No; I think not. What I supposed you meant was whether we recognized the right of the railway company to have issued a special card to the employees which would entitle them to ride in a coach.

Mr. LLOYD. Yes; that is what I meant. Have you ever suggested the requiring of two kinds of cards, one which the railway-mail clerks would carry who work in a car and one which would be presented by the railway-mail clerks when they were not working in a car but rode in the passenger coaches?

Mr. STEWART. I think on some lines that is in operation now, although I am not entirely advised on that. The commission of the clerk, of course, entitles him to ride in a car always, and I think there are some lines that require us to issue a special card to be presented when they ride in a coach.

Mr. LLOYD. Have you made any investigation to ascertain whether the complaint that is sometimes made that clerks take advantage of this car privilege to ride in coaches when they are not engaged in the business of the Government is well founded?

Mr. STEWART. I have heard very, very few complaints of that kind. I do not think there is any abuse of that now. We are very strict ourselves and of course the Interstate Commerce Commission forbids it and everybody understands that is a violation of law and I think there would be very little disposition to take any chance on it.

Mr. LLOYD. Could you put in the record something of a comparison as to the travel on business and travel in the mail cars?

Mr. STEWART. I will see what I can do along that line. I would like the record to show that we regard this travel in the coach as on duty—that is, they are traveling under the orders of the department. The department regards a postal clerk as being on duty when he is traveling to or from his home in connection with his work on a line—that is to say, when he leaves his home to take up his run at the head of the route, he is regarded as being on duty and traveling under the orders of the department. Likewise, when he finishes his tour of duty and returns to his home, using the railroad, he is regarded as being on duty and being under the orders of the department.

Mr. LLOYD. You have never made a sufficient investigation to ascertain what the railroad companies would receive if every employee in the postal department was required to pay a 2-cent fare, have you?

Mr. STEWART. Not outside of this data which I referred to as having been submitted by the companies during the month of November, 1909. I think we made an estimate on that.

Mr. LLOYD. But you do not now remember what the amount was?

Mr. STEWART. No. I can supply the record with that if it is available.

The data reported by the companies as to the personal transportation of the Post Office Department employees for the month of November, 1909, was tabulated, and the result shows as follows:

| | | |
|---|---|---|
| Miles traveled by departmental officials, inspectors, and railway postal clerks not actually in charge of the mails | miles.. | 4,882,545.14 |
| Value of same | | $97,650.89 |
| Miles traveled by departmental employees actually in charge of the mails | miles.. | 6,915,448.80 |
| Value of same | | $138,308.97 |

The department undertook to check the data reported by the companies in so far as it embraced the travel of officials and employees not actually in charge of mails for the same month, but as the information as regards railway postal clerks was secured in the summer of 1910 it is believed that it is not accurate in so far as they are concerned. The total of the miles traveled by officials and clerks for the month was 3,948,188.41.

Mr. LLOYD. I would like to get that in the record, because I think that question is very material.

Mr. STEWART. I will look up our figures on that.

Mr. TUTTLE. The privilege of using the passenger coaches has been withdrawn from a lot of clerks recently, has it not, by reason of those employed in the terminal offices?

Mr. STEWART. Yes, sir. That matter came about in this way: The practice has long been, in assigning railway postal clerks to positions in transfer offices and also in the offices of the superintendent at their several headquarters, to appoint them to a line. Under the old law there was no other way of appointing a clerk, he had to be appointed to some railway post-office line and he was generally appointed to a line which ran into his station. That gave him the right of transportation to his home under the general practice of the department. He might live in the suburbs a short distance and the railroads would carry him in to and carry him out from his place of duty. Under the reclassification act, the law requires us to appoint these men to the offices, either a transfer office or to the division superintendent's office. We do not now appoint them to a line, so that, by reason of that change and the change in the department's practice, the appointment of these men to such offices no longer entitles them to transportation.

Mr. TUTTLE. That affects a large number of clerks?

Mr. STEWART. It affects a good many clerks who are in the division headquarters and also in the transfer offices in the large cities.

Mr. TUTTLE. You could not give an estimate of the number?

Mr. STEWART. I can place it in the record. There are about 1,500 clerks detailed to office duty as transfer clerks and as clerks in terminal post offices. Consequently, with the beginning of January of this year, all those commissions were withdrawn. We could not ask the railroad companies to carry these men any longer.

The CHAIRMAN. In your study, as presented in Document 105, recommending the substitution of space for weight, do you make any credit or allowance for these sixteen thousand and odd employees carried?

Mr. STEWART. Not specifically.

The CHAIRMAN. Well, how do you allow for space in your computation when your specific statement is to the effect that by the adoption of the plan suggested the pay to the railroads would be $9,000,000 less than the present pay?

Mr. STEWART. In that estimate no consideration was given to the item of the carriage of the Government employees specifically. If it

could be said to be included, it would be covered on the basis of space, the same as the transportation of the mails.

The CHAIRMAN. What space did you allot in your computation to an individual?

Mr. STEWART. The space that was necessary for the working of mail in a postal car. We allowed the full space in working cars; the authorized space for the distribution of the mails. That space covers not only the mails that are in a car, but the clerk who works the mails, so that in that case it seems to me that the space for the clerk is allowed in the same manner that the space for the mails is allowed.

The CHAIRMAN. I agree that it is immaterial whether it is mail or clerks that occupies the space, from your viewpoint, but I simply wanted to know whether that entered into your calculations in your conclusions and recommendations?

Mr. STEWART. No; it did not, specifically.

The CHAIRMAN. Then, I do not see how you are justified in making the statement that there is a $9,000,000 difference in cost if, in your calculations on which that statement is based, you do not figure the space occupied by the individual.

Mr. STEWART. Well, I think you misunderstood my last answer. I do estimate his value as occupying space, but not as a passenger—not his value as a mere passenger, aside from the other considerations.

Mr. LLOYD. Is it the law that the postal employees shall be carried by the railroad companies, or is it regulation?

Mr. STEWART. It is the law that the companies shall carry the mails and the persons in charge of them.

Mr. LLOYD. Is an inspector in charge of the mails?

Mr. STEWART. I am speaking now of the railway postal clerks. The inspector travels under a regulation of the department.

Mr. LLOYD. That is what I was getting at. The clerk travels under the law and the postal employee other than the clerk under regulation?

Mr. STEWART. Travels by virtue of the authority of a regulation and the order of the Postmaster General.

Mr. LLOYD. Did you, during the afternoon, give all the reasons that you think might be presented in favor of the space basis in the corroboration of Document No. 105?

Mr. STEWART. I think I did, substantially. They are, very briefly, that the space basis seems to present a definite and scientific gauge of measuring the service and paying for the service rendered and received. It furnishes a means of definitely settling the question of the adequacy of the rates paid and putting an end to the endless controversy that is going on and always will go on, in my judgment, to the annoyance of the department, Congress, and the railroad companies themselves. It furnishes a sure means of properly and equitably distributing the railway mail pay so that every company will be properly paid for the service it renders and no company will furnish a service for less than the cost of carrying the mails. Those are the general points I have in mind. I notice since I was speaking this afternoon my attention has been called to a memorandum which I made in 1907 when the matter came up in the department. This memorandum is addressed to the Second Assistant Postmaster General, signed by myself as superintendent of the Division of Railway Adjustments, and contains excerpts from the reports of previous

commissions who have studied the question and all of whom have reported in favor of a space basis, and one recommends the basis for pay the same as it is recommended in document 105, a fact of which I was not consciously aware. That is, they believed the pay to the railroads should be the cost of the service and a fair per cent of that cost. They did not take into consideration this question of capitalization at all and I do not notice that any of these commissions have taken that into consideration.

The CHAIRMAN. Would you like to put that into the record?

Mr. STEWART. I think for the information of the commission I should like to append these excerpts as an exhibit; not that the department indorses everything in them, but I think it is valuable information. These commissions to whom I referred have analyzed the subject quite carefully, and they give many reasons for the space basis. (These excerpts are printed at the end of Mr. Stewart's testimony.)

The CHAIRMAN. Will you be kind enough to state what, in your judgment, are the obstacles or reasonable objections that may be urged to the space basis?

Mr. STEWART. The principal obstacles that occur to me now, since the submission of document 105, and since our concession that it would be proper to consider capitalization in some form to some extent, are the physical valuation of the property; the ascertainment of the reasonable part of the capitalization which should be considered as associated with the mail service which should form the basis upon which to compute a fair return; and the ascertainment of what is a fair return, considering the fact that the railroads are performing a service for the Government and that they do receive intangible benefits from being in that relationship. Other obstacles are the administrative difficulties which would arise in the ascertainment of space, the authorization of it, the careful supervision and checking up to see that too much space was not authorized, and, of course, to do entire justice to the railroad companies. It can be depended upon that the railroad companies will look after their interest very sharply, of course, and the departmental officers would have to be faithful and careful and look after the interests of the Government. There of course will be continual controversy, but not to such an extent that the controversies can not be determined properly, I think, and I should say that honest, courageous, and fair officers of the department would not find those difficulties insuperable. I think in a general way those are the difficulties.

Mr. TUTTLE. Are the railroads compelled to accept the compensation fixed by Congress, by law, and by department regulations?

Mr. STEWART. The courts have decided, wherever controversies have come before them involving the question of pay, that the relations between the railroad companies, other than the land-grant companies, and the United States, are relations of contract only. I think they have decided that mainly only because contract cases have been submitted to them. However, those are the decisions that are now on the books, and the effect of that is simply this: That a railroad company is not obliged to carry the mails unless it contracts to do so, but the courts have gone still further and said if they do carry the mails they are obliged to carry them on the terms named by the Post Office Department. The terms must not be in

contravention of law, but the Postmaster General can make lower rates than the maximum provided by the law.

Mr. TUTTLE. Would the Government be justified in asking the railroads to carry the mails at cost, or at a loss?

Mr. STEWART. I do not think it would be justified in asking them to carry them at a loss, nor at cost. We have conceded that the other elements should be taken into consideration.

The CHAIRMAN. Have you any question in your mind as to the constitutional right of Congress to compel the railroads to carry the mails, providing the rates are not confiscatory?

Mr. STEWART. Yes; stated just as you have given it. For instance, I do not think that Congress has the right to compel the railroads to perform a service if the railroads do not choose to do it, but I think Congress has ample power under the Constitution to regulate and establish post offices and post roads, and to provide for the carriage of mail on any railroad.

The CHAIRMAN. At rates provided by Congress, provided those rates are not confiscatory?

Mr. STEWART. Yes. But as to the right to compel a nonaided or nonland-grant railroad to perform a specific act, I doubt that. Congress has already made all railroads post roads. We make them post routes when we authorize the carriage of the mails over them. Congress has exercised Federal jurisdiction over the railroads, and it can provide for the carriage of mails on them by the agents, officers, or employees of the United States independently of the railroad companies, but I do not think it has the power to compel a railroad company to specifically perform mail service. However, if a railroad has received a grant of lands or other rights from the Federal Government on condition that it shall carry the mails, a refusal to carry would in my opinion, lead to action to compel performance.

The CHAIRMAN. How did you determine 6 per cent profit in your Document 105 as a fair profit on the cost of the activity of the railroad?

Mr. STEWART. That was suggested and adopted by the Postmaster General as representing the usual fair return on investment.

The CHAIRMAN. And yet, as I remember the testimony you have submitted, you thought one of the problems for determination and difficulty would be the arrival at what would be a fair compensation for the capital charge. Why should one be more difficult of determination than the other? I do not mean that I concur individually as to whether 6 per cent would be the right basis if the plan was adopted or not, but I was trying to get your line of mental procedure in coming to that conclusion and why the difficulty would present itself in one case and not in the other.

Mr. STEWART. There would seem to be a distinction between the two cases. If a man lays out $100,000 in actual expenditure, he is certainly entitled to the current rate of interest; but if you are considering the furnishing of a facility, as, for instance, a part of the capitalization of the road, you must take into consideration all the other conditions of the employment and relationship in estimating what rate of per cent should be allowed; for instance, it is quite an advantage to a railroad company to carry the United States mail. That is an intangible asset of great advantage.

The CHAIRMAN. Does not that apply to the cost of the activity as well as to the capital cost?

Mr. STEWART. I hardly think so.

The CHAIRMAN. You would make a distinction?

Mr. STEWART. Yes; they are entitled to get their cost back—surely, with a fair rate of interest on that.

The CHAIRMAN. Your explanation that you just gave applies with equal force to the capital charge as well as to the cost charge. Your original bill allowed 6 per cent on the cost of the operation itself.

Mr. STEWART. Well, I make that distinction between the actual cost and the consideration of the capital charge.

The CHAIRMAN. We are very much obliged, Mr. Stewart.

[Extract from the "Minority report of the special commission on railroad mail transportation." 45th Cong., 1st sess., S. Misc. Doc. No. 14. Dec. 14, 1877.

### THE BASIS OF COMPENSATION.

The weight of mail is ascertained by weighing it for 30 days in succession, and the daily average is used as the basis for calculating the compensation for the next four years. The weigher appointed by the Post Office Department weighs the mails at the beginning of the route; at each station he deducts and adds the weights of the mails delivered and received, and at the end of the trip forwards the weights to the department, where the average weight for the whole trip is calculated.

This method is not only difficult, expensive, and complicated, but sometimes unjust, as the season selected for the weighing may be when the mails are the lightest or when they are the heaviest. Moreover, the mails are frequently changed from one route to another, and as the mail increases about 8 per cent a year, an average of 16 per cent more is carried than is paid for. The railroad is required to furnish maximum accommodation and is only paid for average weight, while the mails are invariably much heavier one way than the other, except upon the route between Boston and Washington. The outward bound mail from New York west is nearly seven times heavier than the return mail. This is caused by the additional weight of daily and weekly newspapers, periodicals, and merchandise sent from the eastern cities to all parts of the country. On many local roads the mail matter filling a car at starting will be almost all delivered before reaching the terminus, and will leave on the return trip with a light mail, gradually increasing to the starting place. If the mails were carried in bulk, and the railroad companies were required to furnish space for maximum weight the whole trip, the average weight is not a fair basis upon which to estimate the compensation.

The evidence annexed to this report proves that the mails are rarely carried in bulk; that one-quarter of the space occupied in the postal car would be sufficient for the same mail if carried in bulk; and therefore when the railroad companies are required to furnish and run a distributing office, space becomes essential to the department, and should be paid for.

Weight is the proper basis for charges on freight trains, for each train usually carries one way as much freight and as many cars as the engine can draw. The weight of the paying and dead load are about equal; therefore, the average weight carried the train-mile and the expense being ascertained, the charges are based upon weight. Space is the proper basis for charges in passenger trains. Every passenger train could carry twice as many passengers as there are seats, and nearly five times the average actually carried. The paying load has therefore little relation to the dead weight. Therefore, the average number of passengers per train-mile, the length of the train, and the expense being ascertained, the charges should be based upon the linear feet occupied. If the mail was carried in bulk it would be necessary to ascertain the value of the space occupied by a given weight before the cost of carrying it could be determined; but when space is required for distributing as well as for carrying the mail, the cost can be fairly determined only by reference to the space required.

On the Pennsylvania Railroad, where the mail in a single train will frequently weigh as much as the passengers and baggage, the mail could be carried in one car, while the passengers and baggage would require at least six cars; if the expenses were apportioned according to weight, the mail would pay as much as the passengers; if according to space, one-sixth as much as the passengers.

The railroad companies require, for the safety of their passengers, that the maximum weight for a car shall be determined by them. The department required that no more space shall be used than is necessary for working the mail.

The tables furnished by the department, following page 171 of the first part of the report of evidence, show that on some routes more space is used than is required. On one route, 28,952 linear feet per mile per annum are in use, while the same table shows that only 15,024 feet are necessary. On another route in the same State 46,637 feet are in use, where only 31,300 are necessary. On another, 32,082 feet are in use, and only 11,268 necessary.

The same table also shows that on other routes more space is required than is in use. On the route from Cincinnati to Indianapolis and Terre Haute 56,027 are now in use, where 81,380 are required. The space required on the same route is sometimes reduced, and again greatly increased, by transferring mails from one route to another; where a quick and fine distribution is made five or six clerks are required, while on another route one clerk would work the same amount of mail. It is therefore impossible to prescribe by law how much space should be allowed for a given weight of mail.

The proper basis of compensation was considered by the Select Committee of the Senate on Transportation. In June, 1874, they recommended it to be based on space, the space required to be determined by the average weight of the mail.

The basis for determining the cost of railway mail service has never been determined either by the cost or the value of the service rendered, and no equitable or satisfactory adjustment of the differences between the department and the railroads can be made until the cost of the service is ascertained upon principles regarded as just and equitable.

We therefore recommend that space should be taken as the basis of compensation, the amount of space required to be regulated by the Postmaster General from time to time.

## RECAPITULATION.

The principal duty of the commission was to decide the basis of compensation for the transportation of the mails by railroads and the compensation.

On the transfer of the mails to the railroads, in 1837, they received the same compensation that has been paid to stagecoaches. The routes were classified according to the importance of the service, and the rates then established remained unchanged for over 30 years. The railroads were at first greatly overpaid, but by the increase of the mails in weight and bulk, and the space required by route agents on the trunk-lines the cost was increased until, about 1867, the trunk roads were as much underpaid as they were formerly overpaid. At their request the mails were weighed, a readjustment of the compensation was made in 1873, which increased the compensation to many roads.

When the mail was carried in bulk, a gross sum for a given weight of mail carried each mile of road was a proper method for compensation. When a traveling post office was introduced, and the mail distributed in transit, another method was required, but no change was made. The increase of the space used for the mail service on some of the roads has been very rapid. On one, where, in 1868, 32 feet a day was sufficient, ten times as many are now required. Since the introduction of postal cars there has never existed perfect harmony between the railroads and the department. The readjustment in 1873 would have satisfied the roads temporarily if the distribution of newspapers in the postal cars had not commenced at that time, requiring a large amount of additional space, so that their compensation for each linear foot used was scarcely increased.

The commission have endeavored to ascertain the cost of a linear foot of space per passenger-train-mile. They have obtained returns from representative roads of each section of the country, transacting three-quarters of all the railroad business of the country, and from these returns the commission have calculated the cost of an average passenger train per mile. These returns show that there are other elements affecting the cost more important than speed.

They recommend that the basis for determining the compensation shall be space; that the railroads shall receive the mails at the stations, transport, and deliver them at stations, and for this service shall be paid the cost and a fair profit thereon.

That to give a fair compensation 13 per cent should be deducted for station and other expenses, and to the remainder 45 per cent should be added to the expenses for profit. These sums will yield on the average 6.2 mills per linear foot, or nearly the same compensation, according to the cost of service, that the railroads receive from the remaining business on the passenger trains.

That the Postmaster General shall from time to time ascertain the cost on the plan recommended, and what percentage should be added to give a fair profit. If any road

is overpaid, the Postmaster General shall refer the question to a tribunal to be appointed, and any railroad may apply to the same tribunal if aggrieved by any act of the Postmaster General.

Such tribunal shall have power to adjust the compensation in such cases and to award payment out of the appropriations annually made by Congress for the transportation of the mails.

That the Postmaster General shall determine what space is required for a given amount of mail matter.

The commission were required to report such rates of compensation as will enable the department to perform the postal service for the best interest of the public. This, they believe, can not be done by reducing appropriations and making the department self-sustaining, as has been proposed. Cheap postage in 1851 reduced the cost to the public, and greatly increased the volume of correspondence, while, at the same time, it reduced the revenue and increased the expenditures of the department. When the department was self-sustaining, a pound of mail matter, transported on an average 120 miles, cost 56.6 cents while the cost to the public was $1.17. Now it costs the department 16½ cents to transport a pound on an average of 813 miles and the public 24 cents. Then the cost of transportation and office expenses was 93.6 cents per pound; now 29.4 cents.

The fast mails which were in operation 10 months from September, 1875, proved to be of great value, not only to the terminal cities and the places on the line of the roads, but also to cities beyond the two termini. It makes little difference to the correspondent at Chicago or St. Louis whether he receives his letters at 8 or 10 o'clock in the morning, but by the same delay the connections of the mail for the Western States will be delayed from 12 to 24 hours. The establishment of limited mail trains between the East and the West is therefore recommended, with an extension and increase in the efficiency of the Railway Mail Service. Two-thirds of the letters and newspapers pass through postal cars, and are there distributed by the railway mail clerk.

The introduction of postal cars and every improvement in and extension of the postal mail service is the result of cheap postage. For the present the expense of the department is increased by the additional facilities offered, and by the carriage of most pieces of the second and third class at less than cost, the volume of correspondence is increased. In this way "the best interests of the public" can be maintained, and when the whole country becomes as populous as New England, New York, and Pennsylvania the department will become once more self-sustaining.

Some examination has been made in regard to the carriage of the mails on inland waters and the ocean and also of the star service. Data has been collected in regard to the river and the ocean service.

Considerable thought has been given to the star service, and inquiries made of many different parties, but on account of the magnitude of the interests involved and the want of time to thoroughly consider the subject, they are unable to say when any report will be made. The whole contract system has come frequently before Congress and the department; many abuses have been corrected, to be followed by others worse, if anything, than the first. Large discretionary power is left to the Postmaster General and his subordinates, and although the department is at present wisely and economically administered and is a safe custodian of the funds placed in its charge, it is believed some plan should be devised for the reorganization of the star service and rules and regulations for its management established by Congress.

## RULES AND REGULATIONS.

The following rules and regulations are recommended for the transportation of the mails on railroad routes:

1. That the basis for determining the compensation to railroads for transportation of the mails shall be space used, limited by the average weight of mails carried over the roads.

2. That the Postmaster General shall, from time to time, decide what space is required for the transportation of the average weight of mail upon any railroad route.

3. That the compensation for a car, or part of a car, used for the Railway Mail Service shall be a fixed sum for each linear foot used. Where the mails are carried in baggage cars, the linear feet of space actually occupied shall be paid for: *Provided, however,* That in no case shall less than 10 linear feet be paid for on any route; but this compensation shall cover the use of the car for a double daily service, where not more than 10 linear feet a day are required.

4. That the Postmaster General shall, once in every four years, or oftener, ascertain the average cost of running a linear foot of passenger train on the plan herein recommended and what percentage should be added thereto to give a fair profit to the railroads. Until the cost shall be ascertained by the Postmaster General the compensation for each linear foot of car used for railway mail purposes running between terminals at a speed of—

| | Mills. |
|---|---|
| 23 miles per hour and under shall be | 5.82 |
| 24 miles per hour shall be | 5.87 |
| 25 miles per hour shall be | 5.92 |
| 26 miles per hour shall be | 5.97 |
| 27 miles per hour shall be | 6.07 |
| 28 miles per hour shall be | 6.17 |
| 29 miles per hour shall be | 6.27 |
| 30 miles per hour shall be | 6.37 |
| 31 miles per hour shall be | 6.52 |
| 32 miles per hour shall be | 6.67 |
| 33 miles per hour shall be | 6.82 |
| 34 miles per hour shall be | 6.97 |
| 35 miles per hour shall be | 7.12 |

5. That no postal car shall be loaded with more than 15,000 pounds of mail if objected to by the carrying company.

6. That the department shall deliver the mails to the railroads and receive them at the stations or pay the railroads a reasonable compensation for such service. The railroads shall transport the mails and deliver them to connecting roads when required by the department: *Provided, however,* That when the mails are carried in baggage cars they shall be in charge of the railroad company until delivered to the connecting roads, or to such persons as may be duly authorized by the department to receive them.

7. That the railroad companies performing the mail service shall be paid in the same manner as are all other creditors of the Government.

8. That the same compensation shall include the transportation of superintendents and officers of the Railway Mail Service, special agents of the department, and all railway mail employees, while engaged in their official duty or going to or returning from it.

9. That all cars used for the Railway Mail Service shall be of such style, length, and character and furnished in such manner as shall be required by the Postmaster General, and shall be fitted up, maintained, heated, and lighted by the railroad company.

10. That in all cases where there shall be any disagreement between the Postmaster General and the railroad company, in relation to the transportation of the mails, either party may have the matter referred to a commission to be appointed as Congress may determine. Said commission shall have the power to adjust the compensation of the railroad cases so referred and to award payment thereof out of the appropriations annually made for the transportation of the mails; and such awards shall be binding for the term of four years, unless the service shall be increased or diminished during said period.

11. That the Postmaster General shall deduct from the pay of the railroad companies for every failure to deliver a mail within its schedule time not less than the price of the trip, and where the trip is not performed not less than the price of two trips, and not exceeding, in either case, the price of three trips: *Provided, however,* That if the failure is caused by a connecting road, then only the connecting road shall be fined. And where such failure is caused by unavoidable casualty the Postmaster General may remit the fine. And he may make deductions and impose fines for other delinquencies.

12. That the Postmaster General shall have the power to decide upon what trains the mail shall be carried, and shall have power to direct the running of limited or special mail trains; and in such cases to prescribe when the trains shall start and arrive, and what connection they shall make.

13. That railway-mail employees be divided into five classes, with compensation varying with the amount of work required and length of time in the service.

[Extract from the "Report of the committee appointed to devise a more complete system of gauging the rates of pay for carrying the mails on railroad routes," Dec. 3, 1883.]

## THE BASIS OF COMPENSATION.

Taking up the subject in the order indicated in the letter put forth by the committee, we come first to the basis on which the rate of compensation should be determined.

The changed conditions of the service compel a different basis on which to estimate the rate of pay. The present system is cumbrous, and is gauged chiefly by the weight of the mails, which is not the only element to be considered.

Since weight no longer enters as the chief factor in the determination of the requirements of the service—space being the chief thing—weight becomes a modifying element only as it helps to determine what space will be required, fixing a definite limit to the amount of space to be used and paid for on all roads.

The problem is therefore to determine approximately the amount of space required in every instance, and the value of it, applying to this required space the rate allowed, as deduced from some average space value, modified by the allowance for the rate of speed at which the mails are conveyed. Whilst the reasonableness of shifting the basis from weight to space is apparent, still a word of explanation may be necessary as to the part that weight is to play in the new scheme proposed by the committee.

## WEIGHT GAUGE.

While it is proposed to pay for space, yet the amount of space and consequent expenditure on any railroad must be restricted by some method which in its operation will lie outside of the discretion of executive officers. Without some such restrictive gauge there would be no limit to the expenditures for transportation by railroads, save such as might be fixed at the will of an officer of the Post Office Department. Under such a condition of affairs it is evident that space itself would be an arbitrary basis of compensation, unsafe both for the railroads and for the Post Office Department. The gauge prescribed by the committee, resting upon the weight of mails, modified by the room necessary in which to assort and distribute the same, and the speed with which they are conveyed, removes all possibility of improper or arbitrary allowances in determining the space and pay on any particular railroad.

## SPACE VALUE.

It is evident that any scheme which bases pay on the amount of space used, estimating by linear feet, ought in fixing the rate per linear foot to be supported by some facts and figures showing the approximate value of car space in linear feet.

The committee found some difficulty in obtaining information as accurate and widely distributed as they desired, but beg to present herewith tables showing the earnings per train-mile on almost all the railroads in the United States; also showing, as gathered from official reports of the roads and from the reports of the railroad commissioners of the several States, so far as they could be obtained, the yield per car-mile on all passenger traffic, including express, extra baggage, and mails.

These tables will be found to furnish the data from which to estimate approximately the value of car space per linear foot per mile run.

One statement shows the average yield per car per mile in six important States, as deduced from the commissioners' reports, to be 26.6 cents. This statement, involving a car service of over 600,000,000 miles, is full of significance in this connection.

In the State of Pennsylvania there are 30 roads earning less than 26 cents per car-mile, and there are 20 roads earning more than 26 cents per car-mile. In the State of Michigan there are 9 roads earning less than 26 cents per car-mile, and 13 roads earning more than 26 cents per car-mile. In Ohio there are 38 roads earning less than 26 cents per car-mile, and 9 roads earning more than 26 cents per car-mile. In Massachusetts there are 10 roads earning less than 26 cents per car-mile, and 12 roads earning more than 26 cents per car-mile.

On comparing statistics gathered from every quarter it will be found that the range of receipts from the running of passenger trains is between a minimum of 50 cents and a maximum of $3 per train-mile.

An examination of the tables submitted will also reveal the fact that the wide difference apparently between the earnings per train-mile on the several roads practically disappears when the receipts per car-mile are compared. And for this reason, that where the earnings per passenger-train mile are shown to reach toward the maximum, there the number of cars run in each train is correspondingly great, thus

bringing down the average earnings per car per mile run to nearly the same point indicated for each car on trains where the number of cars in each train is at the minimum, and the receipts per train-mile correspondingly small.

The smaller earnings per train-mile will thus be seeen to correspond to the fewer cars in each train, the higher rate of earnings following an increase in the number of the cars.

Thus it will be evident that the range of the earnings from the passenger cars per mile run must be between much narrower limits.

The most careful estimates have been made, covering a wide field of statistics, applying to every railroad in the United States. As a result of this study of the whole field the committee are convinced that the average yield per passenger car (as ascertained by such a multiplicity of methods, each confirmatory of the other) can not be very far from 26 cents per car per mile run, the great majority of railroads yielding under 26 cents per car per mile.

This careful analysis of the returns of all the railroads in the United States points to the conclusion that as the average yield per car per mile is about 26 cents, if the roads receive 5 mills per linear foot per mile run, or at the rate of 25 cents for a 50-foot car, at the ordinary speed of 20 miles per hour, they will be getting a rate corresponding closely to the returns from all passenger traffic combined, which on the face of it would seem to be both just and reasonable. And the committee feel constrained to make this further qualification, that the regularity and frequency of the service, the freedom of the railroads from liability, the certainty of the compensation, the exemption of the carrier from those expenses ordinarily attending passenger traffic, all combine to strengthen the conviction in the minds of the committee that the rate herein recommended is both just and reasonable.

In the annexed correspondence will be found letters from the leading car builders showing that the minimum length of passenger cars is 45 feet, the maximum 54 feet; the sleeping and drawing-room cars reaching from 60 to 70. The express and baggage cars are built from 40 to 50 feet in length. The committee have ascertained that six of the principal States in which complete official returns are available show on passenger trains a car mileage of 646,348,821 miles, representing 180 companies, of which 41 companies performed 508,000,000 miles of the car service, or one-fifth of the companies doing four-fifths of the service, showing that the greater part of the service is performed on the great lines on which the longer cars are used. Upon this data the committee have accepted 50 feet as being a fair average of the length of the cars of all description on passenger trains.

## SPEED.

On the general question of speed as a modifying element in making up the rate of pay, the committee would say that there has been no attempt to determine the rate of increase in cost to the railroads because of increased speed, since this is practically impossible.

Yet it is absolutely certain that an increase of speed must be at an increase of cost to the road. By a well-known law in mechanics the increase in the amount of energy required, and the wear and tear resulting, is not directly proportional to the rate of increase in speed, but multiplies rapidly as the speed arises. This renders any nice adjustment on the score of speed very difficult.

The chief thing to be taken into consideration in connection with speed is the greatly enhanced value of the service to the public. If one mail is carried 15 miles per hour and another mail is carried at the rate of 35 miles per hour, there ought to be a difference in the rate of pay, both because of the difference in the cost of the service to the roads, as well as the difference in the value of the service to the public.

If the higher rates of speed were run only for the postal service, it would be desirable to fix an exact rate, closely graduating pay to speed. But the demands of travel and competitions of traffic compel these higher rates of speed apart from the postal service.

While not attempting, therefore, to closely estimate the value of speed in the service, the committee felt that any just and reasonable rate must include speed as a factor, and they further believe that the result of their recommendations, if they shall be adopted, will be to gradually inprove the service, the value of which as a whole depends to so great a degree upon the regularity and speed of each particular road.

In fixing upon the amount to be allowed for different rates, as set forth fully in the final recommendations of the committee, they have been guided by several considerations, such as the previous experience of the department, the opinions of those speaking for the railroads, the testimony of experts, and the prompt recognition on the part of press and public of every attempt hitherto made to increase the value of the postal service through increased facilities.

It was deemed best that no notice be taken of speed as a factor modifying the rate of pay under 20 miles per hour, since all service under this rate of speed, however valuable it might be in itself, could not lay claim to special value on account of its speed.

The committee would add one-tenth of a mill to the ordinary rate of 5 mills per linear foot per mile run on all railway post-office service for each 2 miles increase in speed between 20 and 30 miles per hour; and above 30 miles per hour one-tenth of a mill for each additional mile. This increase is not to apply to closed or pouch mails; and speed in every case is to be estimated by the running time between terminals.

### SPECIAL TRAINS.

The letter herewith submitted from the British post office explains one method of enhancing the value of the postal service, which in some of its phases might be applicable to the railway service in the United States.

By act of Parliament the postmaster general of Great Britain has power to call upon any railway company to carry mails by trains run at such hours as he may direct, and at a speed not exceeding the speed of the company's first-class passenger trains, the stopping places and the duration of the stoppages being also under his control. For services of this class, where the hours of departure and arrival, places of stoppage and speed, are placed under the control of the postmaster general, high rates of payment are almost inevitable.

The mails now going out of the great cities are of such volume and weight that it might be desirable to arrange for a similar service upon our lines between the great centers, where the postal facilities should be of the highest order. The weight at this time is so great as to make it a cumbersome element in the composition of passenger trains, and yet is hardly sufficient to warrant the payment for trains run exclusively for its transportation.

The day is not far distant when such trains will be fully justified and actually necessary. At present the practicable thing is for the postal service, in connection with other items of transportation, to contribute its share in maintaining trains approaching as nearly as possible the same character of service.

### THE LAW OF COMPETITION.

Since the railway postal service by the very nature of it is debarred from those advantageous rates of which it might avail itself if competition were possible, it would seem but fair and natural that the laws which obtain in competition should also hold here, at least in part.

One well-known authority on transportation, writing of governmental regulation of railroad tariffs, says in reply to the question whether a railroad shall carry its freight and passengers for the same that other lines charge, or not carry them at all—

"All that has to be known by the railroad manager to answer this question is the minimum cost at which the service can be performed. If the obtainable rate exceeds cost, no matter how little, it becomes his interest to accept the terms offered." [1]

The application of this well-known principle in the operation of railroads, so far as the mails are concerned, would be, not to argue, in the absence of competition, that the mails should be carried as if under competition, at the smallest margin above cost, or at the minimum of profit, but rather to argue that the scheme of the committee should not be open to fatal objection simply because it did not reach the maximum of profit on comparison with other items of passenger traffic; in other words, as the Government could not, in justice, demand the railroads to carry the mails at rates so low as to be practically unremunerative, so neither could the railroads fairly demand the highest possible rate of compensation.

The rate recommended by the committee would seem to be both just and reasonable, inasmuch as it is a mean between these extremes of an unremunerative and an extravagant rate of compensation.

### SIDE SERVICE.

The committee think that the universal objection of the railroad companies to carrying the mails between stations and post offices is well grounded. The whole system is a relic of stagecoach methods, and justice to the roads, as well as perfection in the mail service, requires that the duty of the railroads with respect to the mails should cease on their delivery to some responsible person at the railway station.

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[1] Vide Albert Fink's pamphlet on "Cost of Railroad Transportation, Railroad Accounts, and Governmental Regulation of Railroad Tariffs."

What provision shall be made for this service so as to relieve the railroads of it is a matter of detail for the department, not within the purview of this committee.

We therefore unanimously recommend that this side service, which is no part of the legitimate work of the railroads, is prejudicial to the dignity and best interests of the service, leaving the mails frequently for an interval in the hands of trainmen whose first duty is elsewhere, abridging the facilities of the public, be no longer demanded of the railroads, unless specific compensation be given to them for performing it, although in the judgment of the committee this would not be the most economical method of supplying this service.

The committee beg to submit herewith such statistical tables and statements prepared and used by them in reaching their conclusions as bear directly upon the text of the report, together with the correspondence in full.

A statement in detail of the cost and service on railroad routes is not given in this report for the reason that these items are given in full in the annual report of the Postmaster General.

## RECOMMENDATIONS.

The committee would, in conclusion, respectfully recommend as follows:

(1) That the compensation to the railroads for carrying the mails shall be determined upon the basis of the space used and the frequency and speed with which the mails are conveyed.

(2) That the space factor shall be determined by the Postmaster General, in view of the needs of the service, modified by the weight and frequency of the mails; that the speed factor shall be determined by the schedules of the various railroads, in connection with the official reports of the Railway Mail Service.

(3) That the pay for all mail transportation shall hereafter be at a fixed rate per linear foot of car per mile run. This rate to cover the entire cost of the service, furniture, and fixtures in the car, transportation of postal clerks, etc.

(4) That the Postmaster General may at any time order an increase or a reduction in the amount of space to be paid for if after a weighing it be found that there has been a sufficient increase or diminution in the amount of mails transported on any railroad to require the same.

(5) The closed or pouch mails, now carried in express or baggage car, without postal clerks accompanying them, requiring no space for distribution en route, shall be paid for on the following basis, viz: The aggregate weight of the closed or pouch mails carried on any road on all trains for 24 hours shall be made the basis of pay, and this aggregate weight reduced to an equivalent in linear feet of car space in the following proportions:

Two hundred pounds of mail or less shall be rated as the equivalent of 6 linear inches, to be paid for at the rate of 5 mills per linear foot per mile run.

Five hundred pounds of mail shall be rated as 1 linear foot, and for each additional 500 pounds 1 linear foot of car space shall be allowed, with the proviso that the pay for transportation of mails upon any railroad route for six round trips per week shall not be less than $35 per mile per annum.

(6) That the side service be discontinued.

(7) That the pay for railway post offices, at a speed of 20 or less miles per hour between termini, be 5 mills per linear foot, inside measurement, of car space per mile run, and for each increase of speed amounting to 2 miles per hour up to and including 30 miles per hour, one-tenth of a mill; i. e., 22 miles per hour, 5.1 mills; 24 miles per hour, 5.2 mills; 26 miles per hour, 5.3 mills; 28 miles per hour, 5.4 mills; 30 miles per hour, 5.5 mills; and for each additional mile per hour, one-tenth of a mill.

And it is further recommended that in the adjustment of space by linear feet for railway post offices a daily average of 500 pounds of mail or less shall be entitled to pay for space not to exceed 13 feet. From 500 to 1,000 pounds, space not to exceed 15 feet. From 1,000 to 2,000 pounds, space not to exceed 25 feet. From 2,000 to 4,000 pounds, space not to exceed 40 feet. And we recommend that no change in the allotment of space shall be made until the average weight reaches 6,000 pounds. For 6,000 pounds, 50 feet; for 8,000 pounds, 60 feet—the weight to be ascertained by a weighing of not less than 30 consecutive days; and no additional space shall be paid for unless it is found to be necessary.

In all railway post offices the load should not exceed double the greatest weight specified for the respective lengths, and for any gross weight carried on two or more trains daily the space may be subdivided upon the gradients of space for lower weights, as the nature of the service may require, with the further provision that the Postmaster General may increase the compensation upon any railroad route not to exceed 50 per

cent per annum for special mail trains performing service upon schedules fixed by him. In all these estimates the minimum car width should be fixed at 8 feet 6 inches, inside measurement.

Respectfully submitted.

RICH'D A. ELMER,
W. B. THOMPSON,
ISAAC C. SLATER,
*Committee.*

[Extract from the report of the joint commission to investigate the postal service, 1901, 56th Cong., 2d sess., H. R. Rept. No. 2284.]

SPACE AS THE BASIS OF COMPENSATION.

The commission has heard much testimony and suggestion as to whether the adjustment of the compensation by weight (excluding for the moment railway post-office car compensation) is the fairest method. Many of those who have appeared before the commission strenuously contended that "space" occupied would be a very much better gauge by which to fix the compensation; that by this standard the service rendered would be more accurately ascertained and a schedule of rates fixed which would be fairer, to the railroads on the one hand and to the Government on the other, than is possible under the present system of adjusting the rates according to weight. (Printed testimony, Pt. I, pp. 217, 245, 252, 349, 403, 404, 496, 498, 530, 560, 607, 644, 672; Pt. II, pp. 27, 148, 160, 411.)

The commission, while recognizing that the question of "space" must be considered as having strong influence upon the question of the reasonableness of the present railway-mail pay, feels unwilling to recommend it as the controlling standard by which the rates of compensation for the transportation of the mails shall be fixed, because of the impossibility, with the evidence before the commission, of applying the "space" basis of payment to the carriage of the mails.

Others have contended that "space" and "speed" combined should be made the basis of compensation, and others still that the basis of compensation should be "services rendered," so that the many services and facilities which are now furnished by the railroads incidentally and without pay should receive their due proportion of compensation.

Some idea of the value and amount of these incidental services may be obtained from a single item appearing in the testimony of the Second Assistant Postmaster General (printed testimony, Pt. I, p. 401), where it is shown that out of 27,000 stations supplied by messenger service 7,000 of them are supplied by the Post Office Department at a cost of between $1,000,000 and $1,100,000 per annum, leaving the other 20,000 stations to be supplied by and at the expense of the railroads. Attention is called especially to this item because it is so frequently referred to by witnesses, and also because the Post Office Department, through the reports of its chief officials, has so repeatedly disapproved of requiring the railroads to perform this service and recommended that they be relieved therefrom. (See also printed testimony, Pt. I, pp. 357, 399, 401, 611, 612.)

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RAILWAY POST-OFFICE CARS.

Until a comparatively short time prior to 1873 the distribution of the mails in transit was unknown. Prior to the late sixties the railroads simply transported the mails, which were delivered at the post offices and there distributed. Accordingly, "weight," as the basis of compensation, was at the time of its adoption and long thereafter entirely adequate.

For a few years, however, prior to 1873 the distribution of the mails in transit had been practiced to a sufficient extent to satisfy the Post Office Department and Congress that it was a desirable innovation and a branch of the postal service that should be very much enlarged; but it was recognized that if the railroads were not only to transport the mail itself but also to supply, equip, and haul post offices for the distribution of the mails the compensation upon weight basis that had obtained up to that time was not entirely adequate and just, and therefore the law of 1873, as already indicated, contained a provision allowing additional compensation for railway post-office cars. At first these cars were mostly not exceeding 40 or 45 feet in length and of light construction similar to baggage and express cars.

From the policy of the department, however, of constantly demanding better and better facilities from the railroads and the introduction of every improvement that could be discovered, it has come to pass that to-day the railroad post-office cars, with

the exception of a few obsolete ones that are being discontinued as rapidly as practicable, are elaborate structures, weighing between 90,000 and 100,000 pounds (printed testimony, Pt. I, pp. 566, 601, 652); built as strongly and fitted up, so far as suitable to the purpose for which it is intended, as expensively as the best Pullman and parlor cars, costing from $5,200 to $6,500 (printed testimony, Pt. I, pp. 312, 370, 380, 674; Pt. II, pp. 72, 87); maintained at a cost of $2,000 per year (printed testimony, Pt. I, pp. 312, 370, 374, 602, 608–609); traveling on an average of 100,000 miles per annum (printed testimony, Pt. I, pp. 107, 242, 311, 370); provided with the very best appliances for light, heat, water, and other comforts and conveniences; placed in position for the use of the postal authorities from two and a half to seven hours before the departure of the train upon which they are to be hauled (printed testimony, Pt. I, pp. 611–612), and owing to the small space allowed in them for the actual transportation of the mails, accompanied on the denser lines by storage cars for which no additional compensation is paid by the Government (printed testimony, Pt. I, pp. 275, 612) and that on the less dense lines the larger bulk of mails is carried in the baggage cars without additional compensation for the car.

These cars are constructed and fitted up by the railroads in accordance with plans and specifications furnished by the department, and the amount of mail transported therein is determined exclusively by the postal authorities. From these two facts it results that the railroad must haul 100,000 pounds of car when the weight of the mail actually carried therein is only 3,500 to 5,000 pounds—often very much less and occasionally somewhat more. (Printed testimony, Pt. I, pp. 87, 317, 319; Pt. II, p. 79.)

Taking in view all these facts, as disclosed by the testimony filed herewith, we are of opinion that the "prices paid * * * as compensation for the postal car service" are not excessive, and recommend that no reduction be made therein so long as the methods, conditions, and requirements of the postal service continue the same as at present.

We are confirmed in this conclusion by the testimony bearing upon the question as to whether or not it is advisable for the Government to construct, maintain, and own the railway post-office cars. Without commenting at large upon the testimony introduced upon this subject, it suffices for the purposes of this report to say that, so far as the testimony discloses, it is highly improbable that the present compensation to the railroads for railway post-office cars exceeds in amount what the Government would have to pay under the new arrangements, and, furthermore, the expense to the Government for the construction and maintenance of its own railway post-office cars would be very considerable, and the Post Office Department would be under the necessity of materially enlarging its present force and the scope of its operations.

We do not, however, think that the evidence now before us is sufficient to warrant us in making any recommendation as to Government ownership of the railway post-office cars.

The main report was signed by Hon. Edward O. Wolcott, chairman, and Hon. W. B. Allison.

Hon. Thomas S. Martin concurred in the report with the exception of that which refers to "Special facilities."

Hon. E. F. Loud concurred in the report so far as it relates to pay upon space. The subject of space as a basis he reports upon separately as follows:

Space, in my opinion, should be the basis of pay, and I reach this conclusion from the fact, which must be apparent to everyone who has made a careful study of this question, that space is the principal and therefore should be the controlling factor.

The testimony shows that the average weight of mail carried compared with the carrying capacity of the space used is as 1 to 20 and over, which of course renders the ratio of unknown factors or uncertainties to known factors or certainties as 1 to 20 and over.

The carrying capacity of a given amount of space is easily ascertainable, and when obtained it would seem to be not a difficult task to find the carrying capacity of similar space either upon freight or passenger trains or both; or, to express myself in another way, on the basis of weight the unknown factors are as 20 to 1, while on the basis of space the known and unknown would seem to balance and the result more nearly scientific and mathematically more accurate.

It may be urged, and it is the testimony of some, that under the space basis the tendency would be unduly to increase the space, hence increase the rate of pay beyond what would be fair and just. To admit this would, to my mind, be a conclusion that our executive officials are incompetent or corrupt and almost a conclusion that our form of government is a failure. Experience has taught me that our officials are honest, careful, and painstaking and competent. I believe that a larger degree of personal responsibility placed upon the officials would result in a more efficient and

economical administration, especially of this branch of our governmental affairs, which is a business branch wholly. And if this basis be adopted, Congress then as now would hold the purse strings and could appropriate for only so much space as it saw fit, after a careful investigation of the recommendations of the department and in their opinion the demands of the service required.

Under the present system railway post-office cars, which I denominate space, are so small a factor of consideration in the total of mail pay that there is not the incentive to curtail space that there would naturally be where space was the whole or at least the controlling factor. Under the present system, especially on the light routes using railway post-office cars, each increasing pound of weight means increased compensation. On the basis of space no increase in compensation would result from any increase of weight until at least the maximum carrying capacity of the car had been reached. Or, to express it another way, it would require substantially the same space to distribute 4,000 pounds as 8,000 pounds of mail. It would remove the expensive and aggravating system of weighing which is now had upon each system once in four years. It would simplify the now complex mail system so that the average mind could comprehend the subject.

There will be urged as one of the objections to this system that some of our service is pouch service and the space to be occupied is difficult of measurement. That is true, but payment for such service could easily be made upon the basis of average number carried for a period of 30 days to fix the rate for 1 year.

The law compelling railroad companies to deliver mail within the limit of 80 rods of station should be repealed, and the transportation of mails should be the simple question of transportation upon railroads.

There is not sufficient testimony before the commission, in my opinion, to recommend what rate should be paid for given space, but the lack of such testimony results from the fact that the system of space payment was regarded generally by the commission as impracticable, and a proper investigation in that direction was not pursued.

The report of Hon. W. H. Moody, in so far as it may relate to space, is as follows:

Applying to these facts the fundamental law of transportation, that the cost per unit of transportation decreases as the density of the traffic increases, Mr. Adams declares that they indicate that there should have been decidedly greater fall of mail than in passenger or freight rates. He is led at once to the inquiry whether the rates upon the routes where there is the greatest concentration of mail are not excessive. The rule of transportation invoked is based upon the assumption that the increase of traffic permits the introduction of increased economy, notably the economy which results in so loading cars that the ratio of dead weight to paying freight is decreased. Yet this economy is precisely what our method of transporting mail denies to the railroads. Instead of permitting the mail cars, whether apartment or full postal cars, to be loaded to their full capacity, the Government demands that the cars shall be lightly loaded so that there may be ample space for sorting and distribution of mail en route. In other words, instead of a freight car, we exact a traveling post office. The modern 60-foot postal car weight from 80,000 to 100,000 pounds. It is clear that if but 2 tons of mail are carried upon it all the economies which result from density of traffic upon the route are lost. This is true, although the extra pay for running the postal car is about equal to the pay for a ton of mail.

Mr. Adams recognizes clearly the effect of these facts working against the normal operation of the fundamental law of transportation under consideration. He is apparently of the opinion that if the facts are as they are claimed to be, namely, that on an average but 2 tons of mail are loaded on a postal car, and apartment cars are loaded in like proportion, the pay ought not to be reduced. Nevertheless, with this concession, he recommends a reduction of pay on the dense routes by extending the principle of the existing law, so that all routes carrying in excess of 5,000 pounds per day shall be subjected to a progressive reduction of from 1 to 12 per cent. This would effect a saving of something over a million dollars per annum. It has been suggested that there is an inconsistency between the opinion and the recommendation. I am anxious not to misrepresent Mr. Adams's views and conscious that I may do so. But as I understand them there is no inconsistency. He makes the recommendation in spite of the opinion, because he is unwilling to accept without further inquiry the hypothesis in respect to the loading of cars which has been pressed upon us. He is also unwilling to accept without further inquiry the present method of loading as a finality.

In both these respects I agree with him, and join in his opinion, so many times expressed, that further investigation is demanded. We all agree that the loading of the cars is the "principal question," to use Mr. Adams's expression. It is the one point of agreement between the representatives of the railroads, the post-office officials,

the members of the commission, and its expert. Yet it is the one question upon which there is no evidence beyond mere assertion.

As a result of our deliberations over the voluminous evidence, I have arrived at the following conclusions:

(1) The railway mail pay is not grossly excessive.

(2) If the mail is loaded in the proportion of paying freight to dead weight, which is claimed, then it is not excessive at all.

(3) There is an uncertainty as to the proportion of paying freight to dead weight, which should be removed by investigation.

(4) An effort should be made to modify existing methods so that savings may be made without injustice to the carrier.

These are some facts which tend to show that an effort to modify existing methods of transportation deserves a more minute consideration than a commission constituted as this can profitably give.

Hon. T. C. Catchings concurred in Mr. Moody's report so far as the above is concerned.

Hon. William H. Fleming made a separate report, but does not specifically discuss space as a basis of compensation excepting in his general treatment of the subject of railway post-office car pay.

## STATEMENT OF MR. RALPH PETERS.

The CHAIRMAN. Mr. Peters, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you kindly state your age, residence, and occupation?

Mr. PETERS. Age, 59; residence, Garden City, N. Y.; occupation, president of the Long Island Railroad Co.

The CHAIRMAN. Will you kindly explain for the information of the committee the official position that you occupy in reference to the association which you gentlemen represent in appearing before the committee this evening?

Mr. PETERS. I am also chairman of the committee on railway mail pay, which was appointed to collate information and look after the matter of the question of railway mail pay. At an informal meeting before one of the regular meetings of the American Railway Association in Chicago, the representatives of the railroads got together and a statement was made in regard to the investigation that was taking place as to the cost of the handling of mails, and it was thought wise to appoint this committee.

The CHAIRMAN. They represent practically what mileage?

Mr. PETERS. There are 214,275 miles of road operated by 268 companies, represented by the committee.

The CHAIRMAN. What is the total railroad mileage, in round numbers, in the United States?

Mr. PETERS. About 250,000 miles, or a little under that. The appointment of this committee resulted from the general dissatisfaction on the part of the railroads following the reductions in pay made in 1907, under the act of Congress making a general reduction in the rate of pay. At the same time a change in the divisor was made, making a double reduction. At that time the department had initiated the inquiry into the general subject of mail pay. Blanks had been sent out calling for elaborate data, and some railroad representatives who had heard of it and noted from the reports of the Postmaster General that an investigation was to take place, requested that they be given an opportunity to confer about it.

These representatives developed the fact that the data required could not be furnished in the manner proposed with any degree of accuracy and would be valueless, and on their advice the blanks were changed and the instructions changed and different blanks were sent out. That practically concurs with what General Stewart stated. That occurred in 1907, 1908, and the early part of 1909, prior to the time I was connected with the committee.

The CHAIRMAN. You are familiar with the attitude of the department in the two suggested bills that have been submitted to the committee here, are you not?

Mr. PETERS. With the first one; yes. I have only glanced over the second one and have not had time to study it to the extent that I should say I was familiar with it. I am familiar with the general scope of the bill.

The CHAIRMAN. Assuming, for the sake of information before the committee, that the committee advocates the substitution of space for weight as the method of determination of railway mail pay and its apportionment among the different railroads of the country, will you kindly state for the information of the committee your views relative to that suggested change and the views of the organizations that you officially represent here before the committee?

Mr. PETERS. As General Stewart stated, the space basis for the payment for the mails is not new. There were bills introduced in Congress in 1874 and 1876 by Senator Mitchell and Representative Stone providing for a system of pay on the basis of space. The Hubbard Commission, in 1878, likewise reported on the space basis and recommended it, but to be in proportion to the weight. The Elmer, Thompson, and Slater Commission, in 1883, recommended a space basis, but the space to be regulated by a gauge of weight or weight gauge. I believe the Wolcott and Loud committee, in 1901, reported on a space basis, but made no recommendation in regard to it. What we object to chiefly in the proposed bills is the plan to pay for the mails on the basis of cost and not so much space, space being used merely as a measure for apportioning the cost between the different elements on the passenger trains.

The CHAIRMAN. You think space would be just as good a yardstick as weight?

Mr. PETERS. No; space is a useful measure for determining the relative distribution of service on passenger trains between the passenger, the express, and the mail traffic. By this measure of service a fairly reasonable comparison of the cost of a passenger train and its distribution between the passenger, the express, and the mail can be made, but for purposes of comparison only. This measure, however, does not represent all the service that is performed in completing the transportation for which each class of service pays. The passenger loads and unloads himself, but expensive station buildings, ticket offices, platforms, and other conveniences and safeguards must be furnished for the passenger before the expense of movement on the train begins.

In the case of express, other service has to be performed, but it is done by the express companies, except that the terminal tracks and stations are provided for the express traffic, separate as a rule from the great passenger terminals and ticket offices required for the passenger.

In the case of the mail, the distributing post offices must be furnished several hours in advance of their departure at the terminal stations for the mails to be worked. At junction and terminal points labor must be furnished for transferring the mails; at local stations messenger service must be provided for taking the mails to and from the post offices; mail cranes or catchers must be furnished and the mails placed upon same for the exchanges.

In the case of special mail trains special schedules must be made for the departure of trains at hours that will best suit the forwarding of mails that have been gathered up in the great cities during the afternoon and evening. Track facilities, signals, and all other safeguards must be provided to give these special mail trains quick and safe movement in preference over all other classes of traffic. Responsibility for the safety of the postal clerks and free transportation for inspectors and officers of the department can not be accurately measured by space.

In the case of special R. P. O. cars, or moving post offices, type of construction must conform to the requirements of the department by a special act of Congress providing special features and facilities for the safe and prompt assortment or distribution of the mails en route.

All of these are points of service which can not be measured by space. In the same way we can consider the forwarding of single pouches or lock pouches on intermediate trains, constituting frequency of service, as another special feature that can not be measured by space, and yet is not fully covered by the measure of weight. On certain given trains the space can be, with reasonable accuracy, distributed between the three kinds of service, but in the majority of cases the space fluctuates and varies with every train. This fluctuation makes it unsafe to adopt space as a measure for fixing the pay. Constant friction will arise over the disputes as regarding the space furnished, or the space used, or the space allotted for each train. Where such conditions exist there will be the possibility of manipulating the space, either in favor of or against the railroads or the Government, as the case may be.

Granting that these difficulties might be overcome by some fixed rules of measurement, the rate of pay for the space must be made large enough to cover all the special facilities furnished outside of the train service proper.

This rate for the space can not be based on cost, as it would result in practically 795 rates of pay for the 795 railroads with which the department now has contracts, making discriminations and variations in the pay for a service that is universal, under universal regulations and conditions, making more opportunities for manipulation and unfair dealings between the department and the railroads. These varying rates would make it still more difficult for Congress to supervise with any degree of accuracy the expenditures for railway mail pay, and, above all, would make most difficult the preparation of the estimates for the appropriations necessary to cover the service.

The fixed rate paid per annum for each mile of road, for the average weight carried per mile, with special compensation for the special facilities furnished, has for more than 40 years proven to be a fairly safe method of pay. Improve this by providing for an annual weighing and providing payment for the apartment cars furnished as traveling post offices, as well as pay for the full R. P. O. cars, with relief

from the station messenger service, or proper payment therefor, will provide the safest and more nearly accurate basis for ascertaining the value as well as the measure of service. If space were adopted as the measure of service, the value being determined in some arbitrary way, the cost of accurately measuring and checking up the space for 30 days each year would probably equal the cost of weighing and checking up the weights for the same length of time each year. It certainly would be necessary to take the weight of a large portion of mail in order to properly measure the space and to adjust the differences in regard to the space furnished. It will certainly be necessary to check and measure the space provided at least once a year. It would not be fair to the Government nor to the railroads to put such power in the hands of any executive officer as the arbitrary allotment, in advance, of the space to be used on each train in each mail route during each year, thus determining in advance the amount he will pay for the fluctuating service. No fair comparison can be made with rates for other service on a basis of pay that is fixed by cost on the space measure.

The CHAIRMAN. In practical railroad operations do the railroads in any case use space as a measure of service?

Mr. PETERS. I do not know of any.

The CHAIRMAN. Is weight a measure?

Mr. PETERS. Weight is the measure, and yet in the classification by which the rates are fixed for different classes of freight the bulky articles are given a different rate or a different class, so that space may be said to be considered in articles of that kind. Carloads of buggies knocked down and crated would take a lower rate than a carload of buggies that were all set up on wheels or not altogether taken apart.

The CHAIRMAN. But even where your space is the measure, weight is the determining factor as to the space used, is it not?

Mr. PETERS. Yes, as to the space used.

The CHAIRMAN. That is universal, is it, in transportation?

Mr. PETERS. That is universal, to the best of my knowledge and belief. I am not an expert on freight tariffs or classification.

The CHAIRMAN. Do you concur in General Stewart's opinion, as expressed, that the substitution of space for weight as the measure of service rendered is more scientific?

Mr. PETERS. I do not, for the reason of the objection I have just stated.

The CHAIRMAN. And is not in use in any transportation, so far as you are aware?

Mr. PETERS. I do not know of any case, so far as I am aware.

The CHAIRMAN. Where are the possibilities for favoritism or injustice by the substitution of space for weight, according to your mind?

Mr. PETERS. Employees of the department will be zealous in making a record and without the knowledge or any information on the part of heads of departments, will endeavor to economize in the space. They will endeavor to report that only so much space can be used, or that so much space is necessary. There will be differences of opinion between the railroad officers reporting the space and those of the department. As I take it, in this case, the department through

its representatives is to assign that space themselves without conference or consultation with the railroads.

The CHAIRMAN. Necessarily the department's representative would have to determine what amount of space would be required, would he not?

Mr. PETERS. That would depend on the amount of mail that was given for each run. That varies. There are days when we would have every foot of space and more taken up. There would be other days when there would not be 20 per cent of the load. Sunday, for instance, is a light mail day, and Monday; while Fridays and Saturdays are very heavy days. We have to provide extra space and extra facilities.

The CHAIRMAN. Do you not have to do that under the present modus operandi?

Mr. PETERS. We do now.

The CHAIRMAN. So that the same objection would lie. But it is absolutely necessary, is it not, in the movement of the mails?

Mr. PETERS. It is necessary in the movement of the mails to take care of them. I think the chief objection lies in the fact that you make a different rate of pay for each railroad, depending on its cost. The two or three railroads lying alongside of each other would have varying rates of pay, yet each road is entitled to have just as much compensation as any other for carrying the mails for the Government. If one road is so fortunate, by its careful construction or careful management, or its good location, as to show a low cost of operation, it has to carry the mail at a very much lower rate than another road in the same territory that has a higher cost because of its bad location or its poor management. Each road is performing practically the same universal service and is entitled to the same general basis of pay.

The CHAIRMAN. The present method is general, is it?

Mr. PETERS. The present method, as I understand it, is general. I think sometimes, in parallel routes or competing routes, there are adjustments made by the department that the longer route takes the same pay as the shorter route.

The CHAIRMAN. But in practice, you have a universal rate?

Mr. PETERS. We have a universal rate in practice.

The CHAIRMAN. And it is your contention that under the substitution of space for weight it will be absolutely necessary to have a separate rate for each one of the 795 railroads?

Mr. PETERS. On the basis recommended by the department.

The CHAIRMAN. Do the modified views of the department, as presented in the bill suggested by the department to the committee, in which an allowance would be made on capital charges, modify your views at all in reference to your position to the substitution of space for weight, or is your opposition a fundamental one that the measure of space is impracticable and unfair?

Mr. PETERS. Practically all of the members of our committee have opposed the space basis. They are all confident that it will make more difficulty and trouble than they have ever had before. The hardest part of Document 105 has been removed by the explanations of General Stewart. What we resented in that document and what made us feel so bitterly opposed to it was the fact that we were represented to the public as being overpaid for a service

where the compensation has been constantly reduced and more and more work placed upon the railroads. There has been nothing but reductions in pay for a number of years past, and we welcomed this investigation when it was started as presenting an opportunity to show that we were not overpaid. Consequently when the document came out with the statement that we were overpaid $9,000,000 it was very uncomfortable and very disappointing to everyone, although we knew positively that we were not overpaid. The difference as we make it by the allotment of space as used and not as allotted by the department from the records taken in 1909 makes a difference in favor of the railroads of something like $9,600,000 a year. The difference in the method of accounting would make a difference of approximately $5,000,000, although I have not those figures here, as we eliminated them from our final pamphlet for the reason that we did not want to go into too deep a discussion of the methods of cost assignment while the Interstate Commerce Commission was investigating the question, but in a rough estimate it amounted to $5,000,000. Interest at 4 per cent on 1.78 per cent of the net capital investment of all the railroads would amount to $10,209,000. These figures added together would show a difference in our favor of $24,809,000 per annum. Deduct from that the excess as assumed by the department in Document No. 105, $9,000,000; that would leave a net amount of $15,809,000 which we feel the railroads are actually underpaid to-day.

The CHAIRMAN. You mean under the present system?

Mr. PETERS. Under the present system of four years weighing and no allowance for the apartment cars and no allowance for the very heavy station work and terminal work that we have to perform. That is the case to-day when we have taken on the parcel post without any provision whatever being made for giving us additional compensation.

The CHAIRMAN. How could a provision be made before a determination was reached as to what additional compensation you are entitled to?

Mr. PETERS. It might have been cared for by a provision for the annual weighing until you had reached a final determination of the question, and also with compensation for the apartment car.

The CHAIRMAN. What has the parcel-post extension or the increase in your activity in fourth-class mail matter to do with pay on apartment cars, for which I understand your contention is you are underpaid, or not paid at all, as traveling post offices?

Mr. PETERS. There is a greater demand for apartment cars to-day than there was before.

The CHAIRMAN. It is an accentuation?

Mr. PETERS. An accentuation of the case, because they are required just as much, or even greater, for the parcels in the local territory as before.

The CHAIRMAN. Let me ask you in that connection, if you had a special weighing early in the fall to determine what increased business was brought upon the transportation companies by the enlargement of the fourth-class mail matter through increase in weight limit and decrease in cost, would not that remedy the matter?

Mr. PETERS. Only partly so. We would be carrying the parcels, or the increased weight, from the 1st of January until that time of

weighing, unless you do as we have suggested—adjust back from the 1st of July on the weights ascertained in October. You can give us a reasonable compensation for this increased weight adjusted from the 1st of July, with another weighing each following year, until you have finally settled the matter. I believe, after your final study of the question, that you will have a weighing over the entire country every year for about 30 or 35 days. I do not think the cost will exceed the cost of the long quadrennial weighing in each of the four weighing sections. I do not believe, after you have adjusted the matter of bringing all the roads to a change each year, that the annual increase will be very much more than the increase that now takes place as the result of bringing up the roads in each section every four years. I would like very much, if possible, to enter in the record merely as an exhibit a copy of our preliminary report on the investigation of railway mail pay which gives that table showing the relative revenue per 1,000 foot-miles.

The CHAIRMAN. We will be very glad to have it inserted.

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EXHIBIT A.

PRELIMINARY REPORT OF THE INVESTIGATION AND RECOMMENDATIONS OF THE COMMITTEE ON RAILWAY MAIL PAY.

HISTORICAL.

JANUARY 6, 1911.

*To the railways:*

The history of the handling of mail by railroads may be briefly summarized as follows:

On July 7, 1838, Congress enacted the first law regulating the pay for carrying mail on railroads. This law provided that the pay should not exceed 25 per cent more than similar service would cost in stage coaches.

By an act of January 25, 1839, the pay was limited to $300 per mile per annum.

The Government was slow to make general use of the limited mileage of the times, and, as late as 1842, only 3,091 miles of the 4,026 miles of railroad in existence were utilized for mail service.

By an act of March 3, 1845, the rates for mail pay were divided into three classes, paying, respectively, $300, $100, and $50 per mile per annum, and these rates, as fixed by the act of 1845, continued in effect until June 30, 1873.

The developments leading up to the present high stage of efficiency in the Railway Mail Service are in the following order:

The single pouch, with the carrier stopping at each post office to permit the postmaster to remove mail addressed to his station, and to deposit mail to be dispatched.

The distributing post office, where central offices were established for accumulating the mail from surrounding stations, sorting, and classifying it for other distributing centers for final distribution. While this method served for many years, the delays incident to the distribution and the cost of the service resulted in an investigation being instituted in 1853, looking to some improvement in method. It was about this time the "distributing office on wheels," or the railway post-office car, was first suggested.

*Traveling agents.*—In 1857 agents were dispatched with the mail to attend to its transfer from one route to another. This practice proved successful and resulted in a large reduction in the number of distributing offices.

*Distributing on trains.*—Prior to 1862 no attempt had been made to distribute through mail en route. The postmaster at a large distributing and transfer point, desiring to distribute the mail in advance of its arrival at his station, sent clerks out on the line a short distance, who sorted the mail in an ordinary baggage or box car, performing the service previously performed after the arrival of the pouches at the distributing station. Later the railroad provided suitable accommodations in its cars and the service was made regular. From this small beginning grew the extensive Railway Mail Service as it is known to-day.

*Establishment of a graded schedule for transporting mails and post-office cars.*—By the act of March 3, 1873, Congress fixed a schedule of mail pay based on weight, together with additional rates, based on space, for the movement of specially equipped cars

used for the distribution of mail en route. This same act provided for the weighing of mails as a basis of payment, weighings to be not less frequent than once in each four years.

The Post Office Department has chosen to direct that the weighing shall be done every four years, thus adopting the maximum time allowed by law.

### REDUCTIONS IN PAY.

The schedule adopted by the act of March 3, 1873, has not been changed since, except to reduce the pay as follows:

(1) The act of July 12, 1876, reduced the rate of pay 10 per cent.

(2) The act of June 17, 1878, made a further reduction of 5 per cent.

(3) The act of March 2, 1907, further reduced the pay 5 per cent on all routes moving more than 5,000 pounds and not exceeding 48,000 pounds per day, and 10 per cent on all weights above 48,000 pounds per day, and also reduced the pay for space in railway post-office cars 16 per cent.

These acts, together with the regulations of the Post Office Department, govern the payment for the service rendered by the railroads at the present time.

*Schedule of rates for mail transportation by railroads.*

The maximum compensation for general railroad mail service and for service over and-grant railroads is shown in the following table:[1]

| Average weight of mails per day carried over whole length of route. | Pay per mile per annum. | | | |
|---|---|---|---|---|
| | Rates allowable under act of Mar. 3, 1873. | Rates allowable under acts of July 12, 1876, and June 17, 1878. | Rates allowable to land-grant railroads under acts of July 12, 1876, and June 17, 1878. | Intermediate weight warranting allowance of $1 per mile under the law of 1873 and the custom of the department, subject to acts of July 12, 1876, and June 17, 1878. |
| | | | | *Pounds.* |
| 200 pounds | $50.00 | $42.75 | $34.20 | |
| 200 to 500 pounds | | | | 12 |
| 500 pounds | 75.00 | 64.12 | 51.30 | |
| 500 to 1,000 pounds | | | | 20 |
| 1,000 pounds | 100.00 | 85.50 | 68.40 | |
| 1,000 to 1,500 pounds | | | | 20 |
| 1,500 pounds | 125.00 | 106.87 | 85.50 | |
| 1,500 to 2,000 pounds | | | | 20 |
| 2,000 pounds | 150.00 | 128.25 | 102.60 | |
| 2,000 to 3,500 pounds | | | | 60 |
| 3,500 pounds | 175.00 | 149.62 | 119.70 | |
| 3,500 to 5,000 pounds | | | | 60 |
| 5,000 pounds | 200.00 | 171.00 | 136.80 | |

In excess of 5,000 pounds by act of Mar. 2, 1907, and act of May 12, 1910. See note.[2]

[1] From information issued by the Second Assistant Postmaster General, 1909.

[2] NOTE.—For weight in excess of 5,000 pounds and less than 48,000 pounds the following rates: For each 2,000 pounds $25 less 10 per cent and 5 per cent and 5 per cent, or $20.30, and for each additional 80 pounds $1 less 10 per cent and 5 per cent and 5 per cent, or $0.81, for nonland-grant routes: and on land-grant roads for each additional 2,000 pounds $25 less 10 per cent and 20 per cent and 5 per cent and 5 per cent, or $16.24; and for each additional 80 pounds $1 less 10 per cent and 20 per cent and 5 per cent and 5 per cent, or $0.64.

On routes carrying more than 48,000 pounds: For the first 5,000 pounds at same rate as stated above, namely, $171; for the next 43,000 pounds the same rate as above provided, namely, $436.17; for each additional 2,000 pounds at the rate of $19.24, and for each additional 103.96 pounds $1: and on land-grant roads for the first 5,000 pounds the same rate as stated above, namely, $136.80, for the next 43,000 pounds the same rate as above provided, namely, $348.94; and for each additional 2,000 pounds at the rate of $15.39, and for each addtional 129.95 pounds $1.

*Railway post office car pay.*

| | Prior to July 1, 1907. | Subsequent to July 1, 1907. |
|---|---|---|
| Cars 40 feet in length | $25.00 | $25 per mile per annum. |
| Cars 45 feet in length | 30.00 | $27.50 per mile per annum. |
| Cars 50 feet in length | 40.00 | $32.50 per mile per annum. |
| Cars 55 feet or more in length | 50.00 | $40 per mile per annum. |

No pro rata compensation authorized for cars which are less than 40 feet in length.

A full understanding of the pay schedules included in the act of 1873 is of vital importance in any consideration of the subject of mail pay, since the item of railway post office car pay recognized for the first time the factor of space as well as weight in determining the value of the service. Although this schedule has been in operation for 37 years, during which period the service has been extended to cover practically the entire railroad mileage of the country, nothing has been done to make this recognition adequate either by extending the payment to apartment cars or otherwise.

### THE CORTELYOU ORDER.

In addition to the reductions caused by the several acts above mentioned, the Post Office Department, under date of March 2, 1907, issued Order No. 165, reading as follows:

"That when the weight of mail is taken on railroad routes the whole number of days the mails are weighed shall be used as a divisor for obtaining the average weight per day."

This order was superseded by Order No. 412, under date of June 7, 1907, reading as follows:

"That when the weight of mail is taken on railroad routes the whole number of days included in the weighing period shall be used as a divisor for obtaining the average weight per day."

This arbitrary "change of divisor" further reduced the pay about 12 per cent.

### OTHER FACTS AND COMPARISONS.

The department has also secured, through the cooperation of the railroads, many concessions under which the same service is given for less money or better and more expensive service for the same money.

Starting as a mere incident, the handling of mails by the railroads has developed into a vast business. The improvement of the service, by the adoption of train schedules, which greatly expedite the mails, by the construction of stronger and more expensive railway post office cars, containing greatly enlarged facilities for assortment and distribution in transit, and equipped with modern lighting and heating arrangements, and the application of various improved devices for gathering and dispatching mails, etc., have been the result of the cooperation of the railroads with the Post Office Department. In return for this cooperation, the rate of compensation has been reduced approximately 33 per cent during the period of development, and at the present time the railroads are burdened with a business for which they are inadequately compensated.

In 1907 the railroads received $49,757,960 for the transportation of the mails, and, as a result of the reductions adopted in 1907, the pay for 1908 was $48,155,378, a decrease of $1,602,582, notwithstanding the fact that the increased volume of the mails for 1908, as shown by the department's report, produced an increased revenue for 1908, over 1907, of $7,893,658.

The report of the Postmaster General shows that the revenue of the department (and consequently the volume of mail handled) in 1910 increased $40,543,652 over that of 1907, and during the same period the increased cost of handling by the Post Office Department was $39,737,936, divided as follows:

| | |
|---|---|
| Salaries of post-office clerks increased over | $11,000,000 |
| Rural delivery service increased over | 10,000,000 |
| City delivery service increased over | 8,000,000 |
| Railway postal clerks increased over | 4,000,000 |
| Postmasters' salaries increased about | 3,000,000 |
| Miscellaneous increased about | 3,700,000 |

But not one cent of increase in payments to the railroads for the hauling and furnishing cars for the distribution of the vast increase in amount of mail carried, viz, over 22 per cent, and producing, as stated, over forty millions of revenue; in fact, the railroads were actually paid $352,760 less in 1910 than in 1907.

Further analysis of the Postmaster General's report shows that in the last 10 years there was an increase of postal revenue of over 118 per cent, or $121,774,078. The proportion, however, of expenditures for railway mail pay in 1900 was 34 per cent, but was only 21 per cent in 1910, a decrease of 13 per cent.

A feature not generally known or recognized is that the mere delivery of mail in cities and by rural carriers costs more than the entire transportation of mails by railroads, as shown by the following figures taken from the report of the Postmaster General (p. 42) for the year ended June 30, 1910:

| | |
|---|---|
| Transportation of mail on railroads | $44,654,515.97 |
| Railway postal car service | 4,686,122.27 |
| Total pay to railroads | 49,340,638.24 |
| Rural delivery | 36,844,968.61 |
| City delivery | 31,683,639.42 |
| Total for delivery | 68,528,608.03 |
| Excess cost of delivery | 19,187,969.79 |

ORGANIZATION OF COMMITTEE ON RAILWAY MAIL PAY.

The general dissatisfaction on the part of the railroads following the reductions in pay made in 1907 resulted in the Post Office Department initiating an inquiry into the general subject of railway mail. This inquiry was started in March, 1907, and blanks, calling for elaborate data, were prepared by the department and conferences with the railroads' representatives developed the fact that the data required could not be furnished with any degree of accuracy and would prove valueless to the department.

After further consideration the inquiry was resumed by the department, and on September 28, 1909, other blanks were sent to certain railroads, requesting information covering certain routes. The data requested covered the service performed during November, 1909, on the basis of space occupied by the mails in cars of the railroad companies; the receipts and expenditures in detail; comparative statements of station expenses incurred on account of mail and express service, and the number and cost of the railway post office cars and apartment cars.

For the purpose of securing uniformity in the basis of compilation, and to prevent misunderstanding relative to the method to be used, the committee on railway mail pay, representing 282 railroads, with 208,526 miles of line (see Exhibit A), was appointed October 12, 1909.

After the committee was formed it called upon the Postmaster General to explain its object and to offer its cooperation with the department in securing the necessary information, and, among other things, suggested to the department that all railroads, instead of a few, be requested to furnish information for all mail routes, which suggestion was accepted.

The committee on railway mail pay has carefully checked the information gathered for the Post Office Department, and from this and other information has compiled statistics which show that the railroads are carrying the mails for the Government on a lower basis of revenue per car foot-mile of space on passenger trains than is received for performing either passenger or express service.

COMPARATIVE STATEMENTS.

The final results of the tabulation and compilation of the statistics for the month of November, 1909, in condensed form, are as follows:

Summary of replies to Post Office Department's forms; 187 roads, 2,411 routes, 178,709.96 miles operated

| | Mail. | Passenger. | Express. | Total. |
|---|---|---|---|---|
| Car foot-miles | 1,153,110,245 | 9,902,370,150 | 1,320,108,589 | 12,375,583,984 |
| Percentage | 9.32 | 80.01 | 10.67 | 100.00 |
| Revenue | $3,721,796.04 | $43,738,722.85 | $5,075,221.53 | $52,535,740.42 |
| Percentage | 7.08 | 83.26 | 9.66 | 100.00 |
| Average revenue per car foot-mile | $0.003228 | $0.004417 | $0.003855 | $0.004245 |
| Average revenue per 1,000 foot-mile | $3.23 | $4.42 | $3.86 | $4.25 |
| Ratio of foot-mile revenue | 100% | 137% | 119% | |

DEDUCTIONS FROM STATISTICS.

This table represents 77 per cent of the railway mileage of the country, and shows that, on the space basis suggested by the Post Office Department, and for an equal space, or the same number of car foot-miles, for each class of service, the railroads are receiving from express companies 19 per cent more ($8,485,695 per annum) for carrying express matter than the Government pays them for carrying the mails, while the transportation of express is a much inferior and less expensive service; it also shows that railroads receive 37 per cent more ($16,524,744 per annum) for carrying passengers than the Government is paying them for carrying the mails. In other words, the railroads receive for carrying the mails, on the space basis selected by the Department only 84 per cent of what they receive for an equal amount of space used for express, and only 73 per cent of what they receive from passenger service on the same basis of space.

Passenger service paid at the rate of 4.24 mills per car foot-mile. The average receipts for everything carried on passenger trains, except mails, are at the rate of 4.35 mills per car foot-mile. If the Government were to pay for the handling of mail on passenger trains the average rate of 4.35 mills per car foot-mile it would in the month of November, 1909, have paid over $5,000,000, instead of $3,721,796, or $60,000,000 per annum, instead of $44,660,000 to the roads reporting as above.

The inadequacy of railway mail pay illustrated by the foregoing statement is based upon train transportation service alone, but the railroads are required to do more than this, viz, to carry the mail between post office and stations at about six-sevenths of the offices adjacent to railway stations, rendering an extra service, which is not a proper transportation function, which, as estimated by a Postmaster General, would cost the Post Office Department $4,393,000 annually if the Government employed contractors to do this work.

The statistics here presented, on the basis adopted by the Post Office Department, showing the relative space occupied by mail and express, the revenue car foot-miles, etc., fully answer all criticism made in regard to the receipts for hauling express as compared with the receipts for hauling mail. On the car foot-mile basis, the railroads receive more from express than from the mails, and there is absolutely no similarity between the two kinds of traffic except that they are both hauled on passenger trains.

The statements showing the car foot-mile revenue from express embrace only the railroad companies' receipts from the transportation of the express, and do not include the portion of revenue accruing to the express companies (except in the case of one or two railroads operating their own express service), and still the revenue per car foot-mile of express space pays more than the mail.

OTHER BURDENS PLACED ON THE RAILROADS.

There are many details of service in connection with the handling of the mails for which the railroad companies feel that they are not adequately compensated, among which may be stated briefly the following:

All postal clerks when on duty in railway post-office cars and mail apartment cars are carried free in accordance with the law, which reads as follows:

"Every railway company carrying the mail shall carry on any train which may run over its road, and without extra charge therefor, all mailable matter directed to be carried, thereon, with the person in charge of same."

In addition, however, the postal clerks are transported free between the ends of their runs and their homes on the line of the railroad and the commissions which are issued by the Post Office Department to officers and special agents of the department, post-office inspectors, officers of the Railway Mail Service, etc., are honored transportation by the railroads; and this transportation, outside of the requirements of the law, amounts to over $1,000,000 per annum.

As it has been frequently decided that they have the same status as passengers, the railroads are therefore under legal obligation to these post-office employees in case

of accident in the operation or management of their trains, and they receive no compensation whatever as an offset against this liability. The express companies assume such liability for their employees.

Under the laws an allowance is made at a low rate for the handling of about 1,400 railway post-office cars, which are equipped with conveniences for assorting and handling the mails. There are, besides these cars, about 3,800 mail apartment cars with apartments similarly fitted with conveniences for the assorting and handling of mails for which absolutely no payment is made to the railroads further than the allowance for the weight of mail actually carried.

The railroads therefore receive no more for a ton of mail carried in a specially arranged apartment occupying one-half of a car than they do when a similar amount of mail is loaded in a small space in one end of a regular baggage car.

No allowance is made for frequency of service by railroads. A railroad carrying a ton of mail on one train receives exactly the same compensation as a road which distributes a ton of mail by a considerable number of trains.

No allowance is made for speed, the rate paid for mail being the same whether it is 10 or 20 hours in transit between given points.

The railroads are also from time to time required to introduce new and expensive devices for exchanging mails at local stations and to reconstruct their railway post-office cars.

Under the system of weighing mail once in four years, as previously mentioned, and which weighing constitutes the basis of payment for the following four years, the railroads receive absolutely no pay whatever for the increased weight per year throughout the four-year period. With an estimated increase of 6 per cent per year, the railroads are carrying this increased weight of mail at their own expense, thus furnishing to the Government nearly $3,000,000 worth of service per annum without compensation.

In order to provide some measure of relief, legislation should be enacted for the payment for apartment cars at the rate now applying to full railway post-office cars.

The Post Office Department in selecting the space basis in its requests for information from the railroads has disclosed the fact that the space furnished for carrying and handling the mails is of as great importance as the actual weight of mail, and should be given consideration in the adjustment of the railway mail pay.

While 90 per cent of the pay to the railways is for the weight of mail and only 10 per cent is for space, the actual necessities of the postal service, as met by the railway post-office cars and apartment cars, with the station service, including tracks, driveways, and other conveniences, place a burden upon the railroads very much greater than the actual cost of transporting the actual weight of mail carried.

It has been estimated that about 85 per cent of the mails is now being carried in railway post office cars, or apartment cars; and in as much as the average weight carried in a full railway post office car is less than 6,000 pounds, it is obvious that the space furnished is used for the assorting and not for the mere transportation of mail matter.

A case aptly illustrating this point has been noted where 58 railway post-office and storage cars (42 railway post office cars and 16 storage cars) are handled daily between two large and important cities, and carry only 192 tons of mail matter, an average of 3.4 tons per car, yet the necessities of the department and the postal service demand this excessive space. The payment for this service on a weight basis can not possibly be compensatory. On the other hand, the Government would not be able to give the public its present service without such space for distributing the mails in transit.

Weight is not the only thing to be considered; space must also be taken into account.

The railroads should be relieved of the expense of handling mail between stations and post offices on short line routes.

The mails should be weighed annually and the pay should be adjusted annually by the Postmaster General, who now has full authority to do so.

## REPORT OF THE WOLCOTT COMMISSION.

The question of compensation to the railroads for carrying the mails has been under review before Congress at different times during the past 12 years. The subject was exhaustively investigated by a joint commission of the Senate and House of Representatives in 1898 and 1899, which reached the following conclusions after full consideration and taking of a mass of testimony on all sides of the question:

"Upon a careful consideration of all evidence and the statements and arguments submitted, and in view of all the services rendered by the railroads, we are of the opinion that the prices now paid to the railroad companies for the transportation of

the mails are not excessive, and recommend that no reduction thereof be made at this time." (See Rept. 2284, House of Representatives, 56th Cong., 2d sess.)

This commission also concluded as to the pay for railway post-office cars:

"Taking in view all these facts as disclosed by the testimony filed herewith, we are of the opinion that the prices paid as compensation for the postal-car service are not excessive, and recommend that no reduction be made therein so long as the methods, conditions, and requirements of the postal service continue the same as at present."

Notwithstanding these recommendations, great injustice has since been done the railroads by the many reductions made, both by acts of Congress and by the action of the department, without hearing or investigation and notwithstanding the very prompt cooperation of the railroads in extending the facilities of the service.

## RECOMMENDATIONS.

The committee therefore urgently recommend and request:

(1) That authority be given the Postmaster General to allow compensation for apartment cars.

(2) That relief be given for performing messenger service between the railroad stations and the post offices on short-line routes.

(3) That adjustment be made annually of the weight of mail carried per day and payments made accordingly.

Respectfully submitted.

The committee on railway mail pay, J. Kruttschnitt, chairman, director of maintenance and operation, Union and Southern Pacific systems; Ralph Peters, vice chairman, president and general manager Long Island Railroad; Charles A. Wickersham, president and general manager, Western Railway of Alabama; W. W. Baldwin, vice president, Chicago, Burlington & Quincy Railroad; Frank Barr, vice president and general manager, Boston & Maine Railroad; W. W. Atterbury, fifth vice president, Pennsylvania Railroad; C. E. Schaff, vice president, New York Central lines; C. R. Gray, senior vice president, St. Louis & San Francisco Railroad.

[Exhibit A.]

*List of railroads supporting the committee on railway mail pay.*

| | Mileage. |
|---|---|
| Alabama Great Southern R. R. | 309 |
| Arizona Eastern R. R. | 347 |
| Arkansas Central R. R. | 42 |
| Arkansas, Louisiana & Gulf Ry. | 62 |
| Atchison, Topeka & Santa Fe Ry. | 5,564 |
| Atchison, Topeka & Santa Fe Ry.—Coast lines | 1,974 |
| Grand Canyon Ry. | |
| Atlantic Coast Line R. R. | 4,554 |
| Charleston & Western Carolina Ry. | |
| Conway Coast & Western R. R. | |
| Baltimore & Ohio R. R. | 3,450 |
| Baltimore & Ohio Southwestern R. R. | 985 |
| Bangor & Aroostook R. R. | 628 |
| Bellefonte Central R. R. | 27 |
| Bessemer & Lake Erie R. R. | 209 |
| Boston & Albany R. R. | 392 |
| Boston & Maine R. R. | 2,294 |
| Buffalo, Rochester & Pittsburgh Ry. | 573 |
| Carolina & Northwestern Ry. | 134 |
| Carolina, Clinchfield & Ohio Ry. | 249 |
| Cedar Rapids & Iowa City Ry. | 28 |
| Central Indiana Ry. | 127 |
| Central of Georgia Ry. | 1,916 |
| Central R. R. of New Jersey | 598 |
| Central R. R. of Pennsylvania | 31 |
| Central Vermont Ry. | 586 |
| Chesapeake & Ohio Ry. | 1,703 |
| Chesapeake & Ohio Ry. of Indiana | 285 |

| | Mileage. |
|---|---|
| Chester, Perryville & Ste. Genevieve Ry | 99 |
| Cape Girardeau & Chester R. R. | |
| Cape Girardeau & Thebes Bridge Terminal R. R. | |
| Saline Valley R. R. | |
| Chicago & Alton R. R | 981 |
| Chicago & Eastern Illinois R. R | 966 |
| Chicago & North Western Ry | 7,942 |
| Pierre, Rapid City & Northwestern Ry. | |
| Wyoming & Northwestern Ry. | |
| Chicago & Western Indiana R. R | 50 |
| Belt Ry. of Chicago. | |
| Chicago, Burlington & Quincy R. R | 8,966 |
| Chicago Great Western R. R | 1,496 |
| Chicago, Indiana & Southern R. R | 459 |
| Indiana Harbor Belt R. R. | |
| Chicago, Indianapolis & Louisville Ry | 578 |
| Chicago, Milwaukee & St. Paul Ry | 7,481 |
| Chicago, Peoria & St. Louis Ry. of Illinois | 235 |
| Chicago, Rock Island & Gulf Ry | 471 |
| Chicago, Rock Island & Pacific Ry | 7,549 |
| Cincinnati & Muskingum Valley R. R | 149 |
| Cincinnati, Hamilton & Dayton Ry | 1,036 |
| Cincinnati, New Orleans & Texas Pacific Ry | 358 |
| Harriman & Northeastern R. R. | |
| Cincinnati Northern R. R | 205 |
| Cleveland, Akron & Columbus Ry | 194 |
| Cleveland, Cincinnati, Chicago & St. Louis Ry | 1,848 |
| Coal & Coke Ry | 198 |
| Colorado Midland Ry | 338 |
| Copper Range R. R | 125 |
| Cornwall & Lebanon R. R | 26 |
| Cumberland & Pennsylvania R. R | 53 |
| Cumberland Valley R. R | 162 |
| Delaware & Hudson Co | 780 |
| Delaware, Lackawanna & Western R. R | 957 |
| Denver & Rio Grande R. R | 2,778 |
| Rio Grande Southern R. R. | |
| Denver, Northwestern & Pacific Ry | 214 |
| Duluth & Iron Range R. R | 169 |
| Duluth, Missabe & Northern Ry | 298 |
| Durham & Southern Ry | 61 |
| Eastern Ry. of New Mexico | 559 |
| Southern Kansas Ry. of Texas. | |
| El Paso & Southwestern system | 843 |
| Erie R. R | 2,400 |
| Bath & Hammondsport R. R. | |
| New Jersey & New York R. R. | |
| New York, Susquehanna & Western R. R. | |
| Evansville & Terre Haute R. R | 310 |
| Evansville & Indianapolis R. R. | |
| Farmers Grain & Shipping Co.'s R. R | 66 |
| Fitzgerald, Ocilla & Broxton R. R | 40 |
| Flint River & Northeastern R. R | 25 |
| Florida Central R. R | 48 |
| Florida East Coast Ry | 583 |
| Fort Smith & Western R. R | 259 |
| St. Louis, El Reno & Western Ry. | |
| Fort Worth & Denver City Ry | 710 |
| Wichita Valley Ry. | |
| Galveston, Houston & Henderson R. R | 50 |
| Georgia & Florida Ry | 297 |
| Georgia R. R | 303 |
| Georgia Northern Ry. of Georgia | 68 |
| Georgia Southern & Florida Ry | 395 |
| Grand Rapids & Indiana Ry | 588 |
| Grand Trunk Ry | 1,159 |
| Great Northern Ry | 7,274 |

| | Mileage. |
|---|---|
| Greenwich & Johnsonville Ry | 31 |
| Gulf & Ship Island R. R | 307 |
| Gulf, Colorado & Santa Fe Ry | 1,518 |
| Hocking Valley Ry | 342 |
| Huntington & Broad Top Mountain R. R | 71 |
| Illinois Central R. R | 6,142 |
| Indianapolis Southern R. R. | |
| Yazoo & Mississippi Valley R. R. | |
| International & Great Northern R. R | 1,106 |
| Iowa Central Ry | 583 |
| Albia & Centerville Ry. | |
| Jamestown, Chautauqua & Lake Erie Ry | 39 |
| Kanawha & Michigan Ry | 158 |
| Kansas City, Clinton & Springfield Ry | 155 |
| Kansas City, Mexico & Orient Ry | 510 |
| Kansas City, Mexico & Orient Ry. of Texas. | |
| Kansas City Southern Ry | 865 |
| Arkansas Western Ry. | |
| Texarkana & Fort Smith Ry. | |
| Kansas Southwestern Ry | 61 |
| Lake Shore & Michigan Southern Ry | 2,643 |
| Dunkirk, Allegheny Valley & Pittsburgh R. R. | |
| Fort Wayne, Cincinnati & Louisville R. R. | |
| Lake Erie & Western R. R. | |
| Lake Erie, Alliance & Wheeling R. R. | |
| Northern Ohio Ry. | |
| Laramie, Hahns Peak & Pacific Ry | 55 |
| Las Vegas & Tonopah R. R | 197 |
| Lehigh & Hudson River Ry | 99 |
| Lehigh & New England R. R | 135 |
| Lehigh Valley R. R | 1,385 |
| Lexington & Eastern Ry | 94 |
| Long Island R. R | 392 |
| Louisville & Nashville R. R | 4,590 |
| Macon, Dublin & Savannah R. R | 92 |
| Maine Central R. R | 932 |
| Manistee & Grand Rapids R. R | 72 |
| Michigan Central R. R | 1,792 |
| Minneapolis & St. Louis R. R | 1,027 |
| Minneapolis, Red Lake & Manitoba Ry | 34 |
| Minneapolis, St. Paul & Saulte Ste. Marie Ry | 3,765 |
| Mississippi Central R. R | 164 |
| Missouri & North Arkansas R. R | 335 |
| Missouri, Kansas & Texas Ry | 2,852 |
| Missouri, Kansas & Texas Ry. of Texas. | |
| Missouri Pacific Ry | 7,236 |
| St. Louis, Iron Mountain & Southern Ry. | |
| Mobile & Ohio R. R | 1,206 |
| Southern Railway in Mississippi. | |
| Montana, Wyoming & Southern R. R | 31 |
| Montour R. R | 18 |
| Pittsburgh & Moon Run R. R. | |
| Morgantown & Kingwood R. R | 48 |
| Munising Ry | 160 |
| Lake Superior & Ishpeming Ry. | |
| Marquette & Southeastern Ry. | |
| Muscatine North & South Ry | 42 |
| Nashville, Chattanooga & St. Louis Ry | 1,230 |
| Rome R. R. | |
| Western & Atlantic R. R. | |
| Natchez, Columbia & Mobile R. R | 29 |
| New Orleans & Northeastern R. R | 509 |
| Alabama & Vicksburg Ry. | |
| Vicksburg, Shreveport & Pacific Ry. | |
| New Orleans Great Northern R. R | 233 |
| New Orleans, Mobile & Chicago R. R | 404 |

| | Mileage. |
|---|---|
| New Orleans, Texas & Mexico R. R. | 305 |
| Beaumont, Sour Lake & Western Ry. | |
| Orange & Northwestern R. R. | |
| New York & Ottawa Ry | 128 |
| New York, Auburn & Lansing R. R. | 35 |
| New York & Hudson River R. R. | 3,295 |
| Fulton Chain Ry. | |
| Little Falls & Dolgeville R. R. | |
| Raquette Lake Ry. | |
| St. Lawrence & Adirondack Ry. | |
| Wallkill Valley R. R. | |
| West Shore R. R. | |
| New York, Chicago & St. Louis R. R. | 523 |
| New York, Ontario & Western Ry | 493 |
| Norfolk & Western Ry | 1,951 |
| Norfolk Southern R. R. | 602 |
| Northampton & Bath R. R. | 7 |
| Northern Pacific Ry | 5,698 |
| Minnesota & International Ry. | |
| Northwestern Pacific R. R. | 408 |
| Oregon Electric Ry | 69 |
| Oregon, Washington R. R. & Navigation Co | 1,561 |
| Oregon Short Line R. R. | 1,595 |
| Otsego & Herkimer R. R. | 67 |
| Pacific & Idaho Northern Ry | 76 |
| Pennsylvania Lines West of Pittsburgh | 2,756 |
| Pennsylvania Co. | |
| Pitts., Cin., Chicago & St. Louis Ry. | |
| Pennsylvania R. R. | 5,316 |
| Northern Central Ry. | |
| Phila., Balt. & Washington R. R. | |
| West Jersey & Seashore R. R. | |
| Peoria & Eastern Ry | 338 |
| Pere Marquette R. R. | 2,328 |
| Philadelphia & Reading Ry | 1 490 |
| Atlantic City R. R. | |
| Gettysburg & Harrisburg Ry. | |
| Perkiomen R. R. | |
| Phila., Newton & New York R. R. | |
| Stony Creek R. R. | |
| Williams Valley R. R. | |
| Pittsburgh & Lake Erie R. R. | 191 |
| Pittsburgh, Shawmut & Northern R. R. | 240 |
| Prescott & Northwestern R. R. | 105 |
| Quincy, Omaha & Kansas City R. R. | 309 |
| Iowa & St. Louis Ry. | |
| Richmond, Fredericksburg & Potomac R. R. | 120 |
| Washington Southern Ry. | |
| Rutland R. R. | 415 |
| St. Joseph & Grand Island Ry | 268 |
| St. Louis & Hannibal Ry | 104 |
| St. Louis & San Francisco R. R. | 5,080 |
| Fort Worth & Rio Grande Ry. | |
| Paris & Great Northern R. R. | |
| St. Louis, San Francisco & Texas Ry. | |
| St. Louis, Brownsville & Mexico Ry | 456 |
| St. Louis, Rocky Mountain & Pacific Ry | 106 |
| St. Louis Southwestern Ry | 1,415 |
| Eastern Texas R. R. | |
| Paragould Southeastern Ry. | |
| Pine Bluff Arkansas River Ry. | |
| St. Louis Southwestern Ry. of Texas. | |
| San Antonio & Aransas Pass Ry | 724 |
| San Pedro, Los Angeles & Salt Lake R. R. | 983 |
| Sante Fe, Prescott & Phoenix Ry | 364 |
| Seaboard Air Line Ry | 3,028 |

| | Mileage. |
|---|---|
| Sierra Ry. of California | 76 |
| Somerset Ry | 94 |
| Southern Indiana Ry | 320 |
| Chicago Southern Ry. | |
| Southern Pacific Co | 6,240 |
| Sunset R. R. | |
| Sunset Western Ry. | |
| Southern Ry | 7,235 |
| Augusta Southern R. R. | |
| Knoxville & Augusta R. R. | |
| Knoxville & Bristol Ry. | |
| Northern Alabama Ry. | |
| Tennessee & Carolina Southern Ry. | |
| South Georgia-West Coast Ry | 77 |
| Spokane & Inland Empire R. R | 184 |
| Spokane, Portland & Seattle Ry | 516 |
| Astoria & Columbia River R. R. | |
| Staten Island Rapid Transit Ry | 29 |
| Sunset Central Lines | 3,384 |
| Galveston, Harrisburg & San Antonio Ry. | |
| Houston & Shreveport R. R. | |
| Houston & Texas Central R. R. | |
| Houston, East & West Texas Ry. | |
| Iberia & Vermillion R. R. | |
| Louisiana Western R. R. | |
| Morgan's Louisiana & Texas R. R. | |
| Texas & New Orleans R. R. | |
| Tennessee Central R. R | 294 |
| Texas & Pacific Ry | 1,885 |
| Toledo & Ohio Central Ry | 482 |
| Zanesville & Western Ry. | |
| Toledo, Peoria & Western Ry | 248 |
| Toledo, St. Louis & Western R. R | 451 |
| Tonopah & Goldfield R. R | 107 |
| Trinity & Brazos Valley Ry | 459 |
| Ulster & Delaware R. R | 129 |
| Union Pacific R. R | 3,473 |
| Vandalia R. R | 827 |
| Virginia & Southwestern Ry | 242 |
| Virginian Ry | 474 |
| Wabash, Chester & Western R. R | 65 |
| Wabash R. R | 2,515 |
| Wadley Southern Ry | 90 |
| Washington County R. R | 139 |
| Western Alleghany R. R | 44 |
| Western Maryland Ry | 576 |
| George's Creek & Cumberland R. R. | |
| Western Ry. of Alabama | 225 |
| Atlanta & West Point R. R. | |
| Wheeling & Lake Erie R. R | 543 |
| Wabash Pittsburgh Terminal Ry. | |
| West Side Belt R. R. | |
| Williamsport & North Branch R. R | 56 |
| Eagles Mere R. R. | |
| Wisconsin Northern R. R | 43 |
| Total (282 roads) | 208,526 |

Mr. PETERS. You already have our published pamphlet on the railways being underpaid, and that is in the record. I have here now our principal brief, that goes more into detail in the discussion of all these matters. I would like also to add this as a matter of record.

The CHAIRMAN. We will be very glad to put it in the record.

## Exhibit B.

### An Examination and Analysis of the Postmaster General's Proposals Concerning Railway Mail Pay, Prepared Under the Supervision of the Committee on Railway Mail Pay, by H. T. Newcomb, Statistician.

#### COMMITTEE ON RAILWAY MAIL PAY.

*November, 1909.*

J. Kruttschnitt (chairman), vice president and director of maintenance and operation, Union and Southern Pacific Systems.
Lucius Tuttle, president Boston & Maine Railroad.
Ralph Peters, president and general manager, Long Island Railroad.
C. A. Wickersham, president and general manager, Atlanta & West Point Railroad and Western Railway of Alabama.
W. W. Baldwin, vice president, Chicago, Burlington & Quincy Railroad.
W. F. Allen, secretary.

*December, 1912.*

Ralph Peters (chairman), president, Long Island Railroad.
C. A. Wickersham, president and general manager, Atlanta & West Point Railroad and Western Railway of Alabama.
W. W. Baldwin, vice president, Chicago, Burlington & Quincy Railroad.
W. W. Atterbury, vice president, Pennsylvania Railroad.
Geo. T. Nicholson, vice president, Atchison, Topeka & Santa Fe Railway.
E. J. Pearson, first vice president, Missouri Pacific Railway.
E. G. Buckland, vice president, New York, New Haven & Hartford Railroad.
C. F. Daly, vice president, New York Central Lines.
W. A. Worthington, assistant director of maintenance and operation, Union and Southern Pacific Systems.
W. F. Allen, secretary.

*Subcommittee of mail experts.*

E. T. Postlethwaite, assistant to president, Pennsylvania Railroad.
S. C. Scott, assistant to the first vice president, Pennsylvania Lines West of Pittsburgh.
A. H. Rowan, assistant to the vice president, traffic department, New York Central Lines.
H. P. Thrall, mail traffic manager, Union Pacific Railroad.
J. P. Lindsay, manager mail traffic, Santa Fe System.
H. E. Mack, manager mail traffic, Missouri Pacific Railway.
V. J. Bradley, general supervisor mail traffic, Pennsylvania Railroad.
W. W. Safford, general mail and express agent. Seaboard Air Line Railway.
H. M. Wade, supervisor of mails, Erie Railroad.

#### THE MODIFIED EDITION OF DOCUMENT NO. 105.

There are now extant two editions of Document No. 105. All the figures in the pamphlet to which these pages are annexed are from the first and all references are to the same edition. The second or modified edition, published since this pamphlet was put in type, changes many of the figures in the original edition, but contains no reference to the fact that it is a second edition or any intimation that any of the data have been modified. It is known, however, that the modifications were made necessary by attention which had been directed to numerous and serious errors in the first edition.

The appearance and paging of both editions are identical, and the only way to distinguish one from the other, except by comparing the figures, is to note that on the unnumbered page opposite the table of contents the first edition contains the seal of the Government Printing Office, while in the second edition the corresponding space is occupied by a copy of the resolution of the House of Representatives of March 26, 1912, authorizing the printing of 2,000 copies for the use of the House Committee on the Post Office and Post Roads.

In order to avoid confusion, on account of the dissimilar figures in these publications which bear the same title and an appearance of identity, it is necessary to call attention to some of the more important changes and to their effect upon the calculations in the annexed pamphlet.

As fully demonstrated in this pamphlet, the controlling figure in the Postmaster General's calculations is that representing the percentage of the total car-foot mileage of passenger trains which he credited to the mail service. In the first edition this was stated as 7.16 per cent (Doc. No. 105, p. 59); in the same place in the modified edition 7.18 per cent appears. Other changes on page 59 of Document No. 105 are as follows:

| Service. | Car-foot mileage. | | |
|---|---|---|---|
| | First edition. | Second edition. | Increase. |
| Mail | 926,164,458.83 | 932,371,285.37 | 6,206,826.54 |
| Express | 1,379,315,759.65 | 1,379,396,873.05 | 81,113.40 |
| Passengers | 10,634,749,746.71 | 10,676,112,464.36 | 41,362,717.65 |
| Total | 12,940,229,965.19 | 12,987,880,622.78 | 47,650,657.59 |

Examining the details of the table the totals of which were changed as above indicated (Table 3, pp. 38–59) it is found that the changes relate to but two systems and that the addition of 6,206,826.54 to car-foot mileage made in the mail service is the sum of 500,749.20 car-foot miles added to the Atchison, Topeka & Santa Fe System (Doc. No. 105, p. 39) and of 5,706,077.34 miles added to the Pennsylvania System (Doc. No. 105, pp. 51–53). The latter item includes additions to the car-foot mileage of four of the lines of the system, as follows: Pennsylvania Co., 1,075,046.85; Philadelphia, Baltimore & Washington, 58,512.60; Pittsburgh, Cincinnati, Chicago & St. Louis, 3,170,586.08; Vandalia, 1,401,931.81.

The following changes, among others, appear in the totals of Table 7 (Doc. No. 105, pp. 280–281).

| Expenses for November, 1909. | First edition. | Second edition. | Increase. |
|---|---|---|---|
| Taxes | $7,198,452.91 | $7,206,270.16 | $7,817.25 |
| Operating expenses charged to mail service | 2,676,503.75 | 2,682,797.92 | 6,294.17 |

The further scrutiny of this table (Doc. No. 105, pp. 272–281) shows that the addition in taxes was to the amount stated for the Louisville & Nashville Railroad (p. 274) and that the changes in the expenses assigned to the mail service included the effect of this addition and of the changes in the car-foot mileage of the Atchison, Topeka & Santa Fe (p. 272) and of the various companies of the Pennsylvania System (p. 276).

Whoever wishes to check all the changes made by the new edition will be able to do so by referring to the pages indicated below:

| Changes affecting— | Pages (both editions). |
|---|---|
| Atchison, Topeka & Santa Fe | 38, 39, 60, 177, 263, 272, 273. |
| Louisville & Nashville | 274, 275. |
| Pennsylvania Co | 50, 51, 63, 191, 260, 261, 276, 277. |
| Pennsylvania R. R | 191, 259, 276, 277. |
| Philadelphia, Baltimore & Washington | 52, 53, 63, 191, 259, 276, 277. |
| Pittsburgh, Cincinnati, Chicago & St. Louis | 52, 53, 63, 191, 193, 261, 276, 277. |
| Vandalia | 52, 53, 63, 193, 263, 276, 277. |
| Totals and averages | 58, 59, 65, 196, 197, 266, 267, 269, 270, 280, 281. |

The fact that the important changes which have thus necessitated a revision of document No. 105 relate to only three systems suggests that an equally careful checking of the data reported for all other systems would require still more numerous and radical modifications in the Postmaster General's figures. This is especially evident when it is understood that the changes so far made have been in recognition of errors brought to the attention of the Post Office Department by the railways directly affected. Few railways have attempted the arduous task of examining the long and complicated computations of the department in order to detect specific errors.

As already noted, the figures and quotations from Document No. 105 in this pamphlet are from the first edition. Some changes would be necessary in order to substitute the

figures of the new edition, and the result would not be wholly satisfactory, as both editions are in circulation, and, there being no plainly distinguishing mark on either, whoever uses a copy of either is likely to regard it as the authoritative and definitive issue. The following table indicates the more important changes that would be necessary to base the annexed pamphlet upon the second, instead of the first, edition of Document No. 105:

| Page. | Line (if in text). | Column (if in table). | Instead of— | To agree with the second edition of Document No. 105, there should be— |
|---|---|---|---|---|
| 9 | 10,13 | | $2,676,503.75 | $2,682,797.92 |
| 9 | 13–14 | | $2,837,093.98 | $2,843,765.80 |
| 9 | 14,19 | | 21.36 | 21.18 |
| 20 | 3 | | $2,676,503.75 | $2,682,797.92 |
| 20 | 6 | | 14.99 | 14.95 |
| 29 | | 2 | 10,634,749,747 | 10,676,112,464 |
| 29 | | 2 | 1,379,315,759 | 1,379,396,873 |
| 29 | | 2 | 926,164,459 | 932,371,285 |
| 29 | | 2 | 12,940,229,965 | 12,987,880,622 |
| 29 | | 3 | 82.18 | 82.20 |
| 29 | | 3 | 10.66 | 10.62 |
| 29 | | 3 | 7.16 | 7.18 |
| 29 | | 6 | 732,379,597 | 773,742,314 |
| 29 | | 6 | 59,207,170 | 59,288,284 |
| 29 | | 6 | 564,640,981 | 612,291,638 |
| 29 | | 7 | 6.89 | 7.25 |
| 29 | | 7 | 4.29 | 4.30 |
| 29 | | 7 | $4.36 | $4.71 |
| 29 | | 8 | 226,945,786 | 220,738,960 |
| 29 | | 9 | 24.50 | 23.67 |
| 30 | | 2 | 54,544 | 54,755 |
| 30 | | 2 | 7,074 | 7,075 |
| 30 | | 2 | 4,750 | 4,782 |
| 30 | | 2 | 66,368 | 66,612 |
| 30 | | 4 | 866 | 655 |
| 30 | | 4 | 313 | 312 |
| 30 | | 4 | 1,703 | 1,671 |
| 30 | | 4 | 2,882 | 2,638 |
| 30 | | 5 | 1.59 | 1.20 |
| 30 | | 5 | 4.42 | 4.41 |
| 30 | 8,21 | 5 | 35.85 | 34.94 |
| 30 | | 5 | 4.34 | 3.96 |
| 31 | | 3 | 550,727,960 | 585,923,233 |
| 31 | | 3 | 14,966,609 | 15,317,133 |
| 31 | | 3 | 565,694,569 | 601,240,367 |
| 31 | | 3 | 17,494,235 | 17,994,984 |
| 31 | | 3 | 35,261,514 | 35,762,263 |
| 31 | | 3 | 681,670,711 | 717,717,258 |
| 31 | | 6 | 15,789,764 | 15,289,015 |
| 31 | | 6 | 20,223,126 | 19,722,367 |
| 31 | | 6 | 46,011,932 | 9,965,385 |
| 31 | | 7 | 47.44 | 45.94 |
| 31 | | 7 | 36.45 | 35.55 |
| 31 | | 7 | 6.32 | 1.37 |
| 31 | | 9 | 80.79 | 81.64 |
| 31 | | 9 | 2.20 | 2.13 |
| 31 | | 9 | 82.99 | 83.77 |
| 31 | | 9 | 11.84 | 11.25 |
| 31 | | 9 | 5.17 | 4.98 |
| 32 | 12 | | 210,326,652 | 204,679,088 |
| 32 | 13 | | 21.28 | 20.71 |
| 32A | | 3 | 23,288,845.22 | 24,363,892.07 |
| 32A | | 3 | 24,054,604.27 | 27,225,190.35 |
| 32A | | 3 | 10,908,799.55 | 12,310,731.36 |
| 32A | | 3 | 778,197,633.71 | 783,845,198.45 |
| 32A | | 4 | 5,458,291.78 | 4,383,244.93 |
| 32A | | 4 | 8,328,919.73 | 5,158,333.65 |
| 32A | | 4 | 3,918,612.45 | 2,516,680.64 |
| 32A | | 4 | 210,326,652.31 | 204,678,087.57 |
| 32A | | 5 | 18.99 | 15.25 |
| 32A | | 5 | 25.72 | 15.93 |
| 32A | | 5 | 26.43 | 16.97 |
| 32A | | 5 | 21.28 | 20.71 |
| 36 | 24,33 | | $97,186.52 | $93,614.87 |
| 36 | 29,30,31 | | 5.17 | 4.98 |
| 36 | 36 | | $62,380.54 | $65,952.19 |
| 38 | 30 | | $2,673,503.75 | $2,682,797.92 |
| 38 | 33 | | $3,878,431.75 | $3,887,725.92 |
| 47 | 2,18 | | $2,676,503.75 | $2,682,797.92 |
| 47 | 19 | | $1,189,705.92 | $1,192,503.67 |

| Page. | Line (if in text). | Column (if in table). | Instead of— | To agree with the second edition of Document No. 105, there should be— |
|---|---|---|---|---|
| 47 | 19 | | $3,866,209.67 | $3,875,301.59 |
| 47 | 19 | | $258,436.54 | $267,528.46 |
| 47 | 20 | | $3,101,238.48 | $3,210,341.52 |
| 80 | | 2 | 7.16 | 7.18 |
| 80 | 16, 25, 27 | 2 | $7.16 | $7.18 |
| 81 | 8 | | .76 | .78 |
| 81 | 8 | | $5,812,277.49 | $5,965,232.16 |
| 83 | | 2 | 430,944,968.10 | 431,210,671.03 |
| 83 | | 2 | 364,633,119.64 | 364,370,259.64 |
| 83 | | 2 | 795,578,087.74 | 795,580,930.67 |
| 83 | 11, 16 | | 84.61 | 84.50 |
| 83 | 17 | | $4,008,643.06 | $4,003,431.49 |

## An Examination and Analysis of the Postmaster General's Proposals Concerning Railway Mail Pay.

### INTRODUCTION.

This examination and analysis of the recommendation and argument concerning railway-mail pay made by the Postmaster General and printed as Document No. 105 of the Sixty-second Congress, first session, deals with a proposal to reduce the annual revenues of the railways by the sum of $9,000,000, which (capitalized at 5 per cent) would equal a reduction of $180,000,000 in the value of their property. This reduction the Postmaster General proposes to accomplish by a diminution of mail pay without any compensatory reduction in the services and facilities demanded by the Post Office Department, and in a manner not enabling railway economies in any degree offsetting the loss of gross receipts.

The extent and nature of this proposed reduction and the exceedingly large number of errors and omissions in Document No. 105 to which it will be necessary to call attention are deemed fully to warrant the length of the paper.

Especial attention is invited to the following errors which, among others, are found in Document No. 105:

First. All the Postmaster General's calculations and conclusions rest upon data for the single month of November, 1909, a month in which passenger traffic and expenses were relatively very light and freight traffic and expenses were relatively very heavy. (See pp. 43–50.)

Second. The Postmaster General wholly ignored the necessity (industrial as well as constitutional) of a reasonable return upon railway investments, equitably proportioned to the fair value of railway property, and that this is an inevitable part of the cost of railway transportation, confining his attention to operating expenses and taxes, which make up only a part of the real cost. (See pp. 35–43.)

Third. The Postmaster General apportioned joint expenses between the passenger and freight services in accordance with a method that does not give the full, real cost of the passenger-train services. (See pp. 33–35.)

Fourth. The Postmaster General ignored important services and facilities rendered and supplied by the railways, such as station facilities and terminal services and the transportation of postal employees not accompanying the mails, and ignored the actual and direct expenditures of the railways for these purposes. (See pp. 9–18.)

Fifth. The Postmaster General misconceived the nature of working space and temporarily unused space in cars carrying mail and not only refused to regard such space as required by the postal service, but actually added it to the passenger space. (See pp. 19–33.)

All the foregoing errors and many others demonstrated and discussed in the following pages had the effect, separately and cumulatively, of making the Postmaster General's estimates of the cost to the railways of the mail services and facilities they supply too low.

## I. THE POSTMASTER GENERAL'S RECOMMENDATION BRIEFLY STATED.

The Postmaster General's letter to the Speaker of the House of Representatives, printed under date of August 12, 1911, but not received by the representative of any affected railway until December 8, 1911, with the accompanying reports and tabulations contained in House Document No. 105 of the first session of the Sixty-second Congress, comprises:

First. A recommendation for a revision of the basis of payment for the railway facilities and services required in connection with the postal service, and,

Second. A series of reports and tabulations apparently intended to illustrate the results which would follow the application of the revised basis of payment that is recommended.

The system of railway mail pay which the Postmaster General thus seeks to have substituted for that now in force may, perhaps, be best stated by means of quotations from the "tentative draft of proposed law for regulation of railway mail pay" which appears on the fourth and fifth pages of Document No. 105. Thus stated, it is proposed:

First. (As to railways the construction of which was not aided by congressional grants of land). "The Postmaster General is authorized and directed to readjust the pay to companies operating railroads for the transportation and handling of the mails and furnishing facilities in connection therewith, not less frequently than once in each fiscal year, * * * at a rate of compensation per annum not exceeding the cost to the railroad companies of carrying the mails as ascertained by him, and 6 per cent of such cost: *Provided*, That when such ascertained cost and 6 per cent does not equal $25 per mile per annum, he may, in his discretion, allow not exceeding such rate," and,

Second. (As to land-grant railways.) "Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive not exceeding the cost to them of performing the service."

The "tentative draft" contains no definition of the manner in which the cost of carrying the mails would be or could be ascertained nor as to the elements of cost to be considered. Much less does it contain any language suggesting the exclusion from consideration of any element of cost. As, upon any fair and reasonable basis of ascertainment, the cost of the postal facilities and services supplied by the railways exceeds the sums now paid therefor by the Government they could have no very practical objection to the proposed system if it would, in fact, although abandoning the proper and customary standards of compensation, increase their mail revenues to an amount really in excess of the actual cost. But it is necessary to interpret the Postmaster General's recommendations in the light of the whole report in which they are contained and especially in the light of the following claims which he makes:

First. That the investigation reported in Document No. 105 discloses the real cost to the railways of carrying the mails, and,

Second. That the enactment of his recommendations would effect a reduction of $9,000,000 from present railway-mail pay.

In his annual report to Congress, dated December 1, 1911, the Postmaster General said, concerning this document:

"During the year the department completed the investigation begun early in the administration with the object of determining what it costs the railways to perform this service, and the report of the inquiry was submitted to Congress on the 12th of August last. The statistics obtained during the course of the investigation disclosed for the first time the cost of carrying mail in comparison with the revenue derived by the railways from this service. * * * If Congress gives the recommendation of the department in this regard its favorable consideration and authorizes a readjustment of railway-mail pay in the manner suggested, it is believed that the resulting saving to the Government will amount annually to about $9,000,000." (Annual Report of the Postmaster General, H. Doc. No. 559, 62d Cong., 2d sess., pp. 19–20.)

Those portions of Document No. 105 which consist of reports and investigations apparently intended to illustrate the results that would follow the adoption of the new basis of payment exclude from consideration, as will more fully appear hereinafter, all services and facilities except the service of transportation on trains and the facility of space in cars occupied while such movement is in actual progress and all elements of cost save those of operation and taxes; that is to say, they exclude all the primary costs incident to securing the capital necessary to create the property operated. Therefore, the Postmaster General's recommendation, if it is not to be regarded as wholly inconsistent with the argument that he submits in its support, which is unthinkable, is to be held and considered to be a recommendation to reduce railway-mail pay

below the cost of the facilities and services supplied by ignoring some services and facilities and making payment equal the sum of a part of the elements of cost (that is to say, the sum of operating and taxation costs, but not including interest cost) of transportation services and train facilities.

The Postmaster General calls this proposed reduction a "readjustment of railway mail pay on the basis of cost with 6 per cent profit" (Doc. 105, p. 3) and estimates, as has been seen, that the resultant diminution of mail pay would amount to approximately $9,000,000 annually (Doc. 105, p. 3). As the aggregate sum paid for the facilities supplied by the railways during the fiscal year 1911 was $50,099,537.02,[1] it is evident that the proposed reduction amounts to about 18 per cent of the gross revenue which the railways now derive from this source. The detailed figures of Document No. 105, however, indicate that it would be higher. They show (pp. 280, 281) that during the month of November of the year 1909, the railways included received $3,607,773.13 for the postal facilities and services they supplied, while, for the same period, the Postmaster General estimates that the train space they furnished cost them, in operating expenses and taxes alone, $2,676,503.75. As he does not propose to make a return for any other items of cost and proposes to add only 6 per cent to the total of these items, it is evident that if his "readjustment" had been in effect they would have received 106 per cent of $2,676,503.75, or $2,837,093.98. The last-named sum is 21.36 per cent less than $3,607,773.13, the sum these railways were paid, and this percentage, of course, approximates the reduction. In this calculation no allowance is made for the fact that some railways, that is, land-grant roads, would be denied the additional 6 per cent, so that the actual reduction would be somewhat more than 21.36 per cent.

This brief statement discloses the fact that the Postmaster General's recommendation really rests upon certain almost obviously incorrect and misleading conclusions which are, in part, as follows:

First. He erroneously assumes that the train space occupied by the mails is a fair measure of the services and facilities supplied by the railways, whereas, in fact, they perform important terminal and delivery services, supply a vast aggregate of personal transportation, furnish extraordinary station facilities, and supply many and costly additional services and facilities of which he takes no account.

Second. He erroneously assumes that expenses in the operation of a railway and taxes exacted from it constitute all the cost of the services it renders, thus overlooking and ignoring the fact that property has to exist before it can be operated and that its existence is evidence of the investment of capital, a reasonable return on which is a necessary and legitimate element of the cost of transportation, and that this element in the case of railways amounts to a very considerable fraction of the total cost.

The foregoing misconceptions of fact are fundamental in character and importance and their destructive effect upon the argument of Document No. 105 will be further discussed herein. Attention is directed to them at this stage merely because any statement of the Postmaster General's plan which failed to note that it rests upon these basic inaccuracies would be seriously incomplete. It should also be noted at the outset that the second of these misconceptions leads to a rejection of that essential principle of fair treatment of the railway carriers of mail proclaimed by the Joint Commission to Investigate the Postal Service, which reported in 1901, in part, as follows:

"We are of opinion that the true basis for payment to railroads for mail transportation should be such sums as will afford the railroads a fair compensation for the services rendered." (Fifty-sixth Cong., S. Doc. No. 89, p. 9.)

And the Joint Postal Commission continued:

"It seems to the commission that not only justice and good conscience, but also the efficiency of the postal service and the best interests of the country demand that the railway mail pay shall be so clearly fair and reasonable that while, on the one

[1] The sum reported by the Postmaster General (Postmaster General's Annual Report for 1911, H. Doc. No. 559, 62d Cong., p. 49), as the cost of "transportation of domestic mail by railroads," is $50,583,122.96, but not all of this sum was paid to railways. The sum so paid was actually $483,585.94 less. The cost, as reported, includes the cost of the quadrennial weighing of the mails in one of the four weighing sections, of tabulating the results of this weighing, and perhaps other expenditures. The railways actually received only $50,099,537.02. This fact was stated by the honorable Second Assistant Postmaster General in a letter dated on June 7, 1912, addressed to H. T. Newcomb, statistician to the Committee on Railway Mail Pay, which letter is as follows: "In reply to your letter of the 22d ultimo, asking for further information relative to the amount actually paid to the railroad companies during the fiscal year ended June 30, 1911, I have to advise you that out of the total of $50,583,122.96 there was expended a total of $483,585.94 for purposes other than railroad transportation." The average annual cost of weighing the mails for the purpose of readjusting railway mail pay is stated in Document No. 105 (p. 15) as $400,000. At least this sum should, therefore, be deducted from the reported annual cost of railroad services, previous to 1911, in order to ascertain the annual aggregates actually received by the railways.

hand, the Government shall receive a full quid pro quo for its expenditures and the Public Treasury be not subjected to an improper drain upon its funds, yet, on the other hand, the Railway Mail Service shall bear its due proportion of the expenses incurred by the railroads in the maintenance of their organization and business as well as in the operations of their mail trains.

"The transaction between the Government and the railroads should be, and in the opinion of the commission is, a relation of contract; but it is a contract between the sovereign and a subject as to which the latter has practically no choice but to accept the terms formulated and demanded by the former; and therefore it is incumbent upon the sovereign to see that it takes no undue advantage of the subject, nor imposes upon it an unrighteous burden, nor 'drives a hard bargain' with it." (Ibid., p. 10.)

It is submitted that these extracts but express considerations that are obviously and fundamentally correct and that must prevail wherever justice is respected and maintained. But there can be no just compensation when a reasonable return upon invested capital is refused and the Postmaster General has confessedly considered none of the expenses necessarily incurred in order to procure capital, but only those of operation and for taxes.

## II. DETAILED ANALYSIS OF THE POSTMASTER GENERAL'S REPORT.

Although the argument for a reduction in railway mail pay made by the Postmaster General (62d Cong., H. Doc. No. 105) is addressed to the Speaker of the House of Representatives under date as of August 12, 1911, and the congressional order for printing was entered on August 15, 1911, the Postmaster General caused its publication to be suspended, for the purpose, as it is stated, of making repeated changes and corrections, and it was not until December 8, 1911, that the committee on railway mail pay, or any of the railways which would be affected by the adoption of the recommendations of the report, were able to obtain copies or were advised of its contents. Soon after obtaining copies of the report, with the accompanying documents and tabular statements, and having given consideration to the whole document, the committee, by Mr. Kruttschnitt, its chairman, on December 20, 1911, addressed a letter to the Speaker, which was, in full, as follows:

"*To the honorable the Speaker of the House of Representatives, Washington, D. C.:*

"My Dear Sir: Your attention is respectfully invited to the recently published letter from the Postmaster General to the Speaker of the House of Representatives (H. Doc. No. 105), submitting a report of his inquiry as to the operations, receipts, and expenditures of the railroad companies transporting the mails, and recommending legislation concerning their compensation therefor.

"This report has been so recently made public that there has not been sufficient time for its detailed examination and analysis, but such scrutiny as has already been possible, discloses that the data submitted are incomplete, the figures distorted, the presentation unfair, and the conclusions illogical and unwarranted. Among other things, it is grossly unjust to the railroads in that:

"1. Data submitted by the railroads at the request of the Post Office Department, which are essential to a complete understanding of the subject, have been withheld and suppressed.

"2. The Postmaster General has arbitrarily transferred to the passenger service much of the so-called 'dead' space in mail cars, although this space could not be utilized as passenger space, thus improperly increasing the apparent car-foot miles of passenger service, and correspondingly decreasing the car-foot miles of mail service.

"3. The Postmaster General has apportioned expenses incurred for the joint purposes of the passenger and freight services between these services in accordance with a method never accepted by any one with practical experience in railway accounting or operation, and condemned by the courts in at least two important cases. In one of these cases the opinion of the court states that 'It was conceded that the method could be made to produce any desired result.'

"4. The Postmaster General has wholly overlooked the fact that a large part of the cost incurred by the railways in carrying the mails, consists of interest on the capital they employ. By ignoring all capital expenses, confining his attention to mere operating costs, and proposing to return to the railways only the amount of these operating costs, plus 6 per cent, he urges a method which, if applied generally to all their business, would render every railroad at once bankrupt.

"In consideration of the foregoing and other errors and omissions in the report, we respectfully ask, for the railroad companies, a suspension of judgment and action until they have had time to present a complete and satisfactory analysis of the report,

and of all material and relevant facts. Preparation of such a presentation has been undertaken and we request that, when completed, we be given an opportunity to place our conclusions before Congress in a suitable manner.

Very respectfully, yours,

"THE COMMITTEE ON RAILWAY MAIL PAY,
"By J. KRUTTSCHNITT, *Chairman.*"

The next purpose of this report will be to present detailed and convincing evidence of each and every assertion in the foregoing letter, and they will be taken up in order.

First. Data submitted by the railroads at the request of the Post Office Department which are essential to a complete understanding of the subject, have been withheld and suppressed.

(A) STATION AND TERMINAL EXPENSES DIRECTLY INCURRED ON ACCOUNT OF MAIL.

That the facilities and services supplied by the railways in connection with the postal service go far beyond the ordinary incidents of transportation is generally understood, but the fact is substantially ignored in the Postmaster General's report. Some of these extraordinary services, being in the nature of terminal and station services, are covered by the following extracts from the Postal Laws and Regulations:

Railroad companies, at stations where transfer clerks are employed, will provide suitable and sufficient rooms for handling and storing the mails, and without specific charge therefor. These rooms will be lighted, heated, furnished, supplied with ice water, and kept in order by the railroad company. (Sec. 1186, second paragraph.)

The specific requirements of the service as to * * * space required * * * at stations, fixtures, furniture, etc., will at all times be determined by the Post Office Department and made known through the General Superintendent of Railway Mail Service. (Sec. 1186, third paragraph.)

Railroad companies will require their employees who handle the mails to keep a record of all pouches due to be received or dispatched by them, and to check the pouches at the time they are received or dispatched, except that no record need be kept of a single pouch from a train or station to the post office or from the post office to a train or station which, in regular course, is the only pouch in the custody of the company's employees at that point while it is being handled by them. This is not to be construed as relieving railroad companies from having employees on trains keep and properly check a record of all closed pouches handled by them, without exception. (Sec. 1187, first paragraph.)

In case of failure to receive any pouch due, a shortage slip should be made out, explaining cause of failure, and forwarded in lieu of the missing pouch. Specific instructions in regard to the use of shortage slips will be given by the general superintendent of Railway Mail Service. (Sec. 1187, second paragraph.)

Every irregularity in the receipt and dispatch of mail should be reported by the employee to his superintendent promptly, and if a probable loss of or damage to mail is involved, or if the cause of failure to receive a pouch is not known, the report should be made by wire, and the superintendent will notify the division superintendent of Railway Mail Service without delay. A copy of the employee's report should be attached to and become a part of the permanent pouch record. (Sec. 1187, third paragraph.)

Train pouch records will be kept on file at the headquarters of division superintendents of railroad companies for at least one year immediately following the date the mail covered by them was handled, and shall be accessible there to post-office inspectors and other agents of the Post Office Department. Station pouch records will be kept on file at the station to which they apply for at least one year immediately following the date the mail covered by them was handled, and shall be accessible there to post-office inspectors and other agents of the Post Office Department. (Sec. 1187, fourth paragraph.)

Railroad companies will require their employees to submit pouch records for examination to post-office inspectors and other duly accredited agents of the Post Office Department upon their request and exhibition of credentials to such employees. (Sec. 1187, fifth paragraph.)

Every railroad company is required to take the mails from and deliver them into all terminal post offices, whatever may be the distance between the station and post office, except in cities where other provision for such service is made by the Post Office Department. In all cases where the Department has not made other provision, the distance between terminal post office and nearest station is computed in and paid for as part of the route. (Sec. 1191, first paragraph.)

The railroad company must also take the mails from and deliver them into all intermediate post offices and postal stationsl ocated not more than 80 rods from the nearest

railroad station at which the company has an agent or other representative employed, and the company shall not be relieved of such duty on account of the discontinuance of an agency without 30 days' notice to the department. (Sec. 1191, second paragraph.)

At connecting points where railroad stations are not over 80 rods apart a company having mails on its train to be forwarded by the connecting train will be required to transfer such mails and deliver them into the connecting train, or, if the connection is not immediate, to deliver them to the agent of the company to be properly dispatched by the trains of said company. (Sec. 1192.)

At places where railroad companies are required to take the mails from and deliver them into post offices or postal stations or to transfer them to connecting railroads the persons employed to perform such service are agents of the company and not employees of the postal service, and need not be sworn; but such persons must be more than 16 years old and of suitable intelligence and character. Postmasters will promptly report any violation of this requirement. (Sec. 1193.)

Where it is desirable to have mails taken from the post office or postal station to train at a terminal point where terminal service devolves upon the company, in advance of the regular time of closing the mails, the company will be required to make such advance delivery as becomes necessary by the requirements of the service. (Sec. 1194.)

When a messenger employed by the Post Office Department can not wait for a delayed train without missing other mails, the railroad company will be required to take charge of and dispatch the mails for the delayed trains, and will be responsible for the inward mail until delivered to the messenger or other authorized representative of the department. (Sec. 1195.)

Whenever the mail on any railroad route arrives at a late hour of the night the railroad company must retain custody thereof by placing the same in a secure and safe room or apartment of the depot or station until the following morning, when it must be delivered to the post office or to the mail messenger employed by the Post Office Department at as early an hour as the necessities of the post office may require. (Sec. 1196.)

When a train departs from a railroad station in the nighttime later than 9 o'clock, and it is deemed necessary to have the mail dispatched by such train, the division superintendent of Railway Mail Service will, where mail is taken from and delivered into the post office by the railroad company, request the company, or where a mail messenger or carrier is employed by the Post Office Department will direct him, to take the mail to the railroad station at such time as will best serve the interest of the mail service. Such mail will be taken charge of by the agent or other representative of the railroad company, who will be required to keep it in some secure place until the train arrives, and then see that it is properly dispatched. (Sec. 1197, first paragraph.)

The division superintendent of Railway Mail Service will give reasonable advance notice to the proper officer of the railroad company, in order that the agent or representatives of the company may be properly instructed. (Sec. 1197, second paragraph.)

Railroad companies will be expected to place their mail cars at points accessible to mail messengers or contractors for wagon service. If cars are not so placed the companies will be required to receive the mails from and deliver them to the messengers or contractors at points accessible to the wagon of the messenger or contractor. (Sec. 1198.)

A mail train must not pull out and leave mails which are in process of being loaded on the car or which the conductor or trainman has information are being trucked from wagons or some part of the station to the cars. (Sec. 1199.)

At all points at which trains do not stop where the Post Office Department deems the exchange of mails necessary a device for the receipt and delivery of mails satisfactory to the department must be erected and maintained; and pending the erection of such device the speed of trains must be slackened so as to permit the exchange to be made with safety. (Sec. 1200, first paragraph.)

In all cases where the department deems it necessary to the safe exchange of the mails the railroad company will be required to reduce the speed or stop the train. (Sec. 1200, second paragraph.)

When night mails are caught from a crane the railroad company must furnish the lantern or light to be attached to the crane and keep the same in proper condition, regularly placed and lighted; but if the company has no agent or employee at such station, the company must furnish the light, and the care and placing of same will devolve upon the department's carrier. (Sec. 1200, third paragraph.)

The engineer of a train shall give timely notice, by whistle or other signal, of its approach to a mail crane. (Sec. 1200, fourth paragraph.)

The foregoing extracts, all the requirements of which are enforced by fines and deductions, disclose the fact that many extraordinary and exacting services, involving

responsibility and expense, are required of railway mail carriers in addition to the mere transportation of the mails. To transfer mail from stations to post offices railways are obliged to employ messengers and to supply vehicles; to furnish rooms for "handling and storing the mails," they are obliged to enlarge their stations and to encroach upon space needed for yard purposes, and other extraordinary services obviously entail considerable expenditures, as well as interference with the orderly routine of the other business of the carrying companies. There are also certain requirements of the department which are not to be found in the regulations, although no railway feels at liberty to oppose or disregard them, such as the common demand that postal cars be placed for advance distribution and supplied with heat and light while so used. The existence of important elements of cost of this character was not overlooked by the Postmaster General at the time the investigation which culminated in his report was begun. On the contrary, one of the original set of blanks on which the railways were asked to report (Form 2602, see copy reprinted at pages 28 and 29 of H. Doc. No. 105) was so entitled as to indicate that it was intended to show the cost of supplying "Station service" and "Station and terminal facilities" in connection with the mail. Among other things, this form called for the following facts, to be reported separately as to each station, which were ignored and excluded in the Postmaster General's estimates of the cost of rendering the service required by the Post Office Department:

1. Amount of wages paid to messengers and porters employed exclusively in handling mails.
2. Portion properly chargeable to mail service, prorated on basis of actual time employed, of wages paid to station employees a part of whose time is employed in handling mails.
3. Amount expended for maintenance of horses and wagons and for ferriage, and so forth, in connection with mail service.
4. Rental value, plus average monthly cost of light and heat, of room or rooms set apart for the exclusive use of the mail service.
5. Rental value of tracks occupied daily for advance distribution of the mail.
6. Average monthly cost of light and heat for postal cars placed daily for advance distribution of mail.
7. Interest at the legal rate upon the value of cranes, catchers, and trucks required for mail service.
8. Total of the previously enumerated items of cost of rendering mail service.

Over the propriety of including every one of these items as elements in the cost of mail service, controversy is impossible. The Postmaster General recognized this fact by asking for data under all these heads, statements of all these facts were rendered by the railways in compliance with his request and the expenditure so reported were substantial in their amounts, but it seems subsequently to have been decided that the suppression of these data was not inconsistent with a purpose to present an accurate and truthful statement of the expenses directly incurred by the railways in serving the Post Office Department and all recognition of these expenses was denied in the tabulation of the data collected. There is not a figure derived from or representing these data in all of the 270 pages of tabulated statistics of the report. In the 18 pages of textual matter there is neither a total nor a conclusion based upon them. The summary statement signed by Second Assistant Postmaster General Stewart does, however, contain the following:

"The data reported by the companies on Form 2602 as to expenditures for station service and station and terminal facilities furnished were carefully considered, and in view of the fact that it was found impossible to ascertain the totals of the accounts from which the amounts directly charged on this form should be deducted, and of the fact that such data were found to be unreliable in many instances, and of the further fact that it was determined that the mail service should participate in all of the station expenses upon a basis of car-foot miles, it was decided not to make use of such information in connection with the cost ascertainment." (H. Doc. No. 105, p. 6.)

The foregoing states, in effect, that the Post Office Department preferred arbitrarily to assume that station expenses for mail bear the same relation to total station expenses that the car-foot mileage made in mail service bears to the total car-foot mileage of passenger trains, rather than to accept data which it had collected that showed a different result. The well-founded claim of the railways, a claim that no one acquainted with the methods and exactions of the postal service will dispute, is precisely to the contrary. Station service and facilities required for mail are greatly in excess of those which have been allowed for by the arbitrary method adopted by the Postmaster General. The facts that the totals of the accounts from which these items were deducted were unknown to the department is attributable solely to the fact that it did not ask to have these facts reported, they could readily have been obtained by means of a supplementary inquiry as other facts were obtained, and the omission of the officers conducting the inquiry to ask for information certainly ought not to be

regarded as a sufficient reason for their failure to tabulate the facts they did obtain. The further suggestion that some of these data were "found to be unreliable," is without specification and it is unjust to the railways which at considerable expense to themselves, supplied the figures asked for.

The original reports in the possession of the committee on railway mail pay make it possible, in part, to remedy this omission of the Postmaster General and to that end the data in these reports have been most carefully and accurately tabulated. The committee, dependent upon the voluntary cooperation of numerous railway officers located in many and widely separated cities, was naturally unable to obtain copies of all the reports sent to the Postmaster General and its results are, therefore, necessarily and obviously incomplete. The following aggregates are submitted with the observation that they disclose portions only of the expenditures under these heads which were incurred by the railways on account of the mails. The reports available to the committee on railway-mail pay show that the railways complying with its request for copies expended the following sums and reported them to the Post Office Department on its Form No. 2602:

| Item. | Amount. |
|---|---|
| Amount of wages paid to messengers and porters employed exclusively in handling mails | $79,980.84 |
| Portion properly chargeable to mail service, prorated on basis of actual time employed, of wages paid to station employees a part of whose time is employed in handling mails | 198,927.01 |
| Amount expended for maintenance of horses and wagons and for ferriage, etc., in connection with mail service | 5,640.98 |
| Rental value, plus average monthly cost of light and heat, of room or rooms set apart for the exclusive use of the mail service | 37,258.93 |
| Rental value of tracks occupied daily for advance distribution of the mail | 47,029.12 |
| Average monthly cost of light and heat for postal cars placed daily for advance distribution of mail | 18,400.57 |
| Interest at the legal rate upon the value of cranes, catchers, and trucks required for mail service. | 3,895.36 |
| Total | [1] 401,126.00 |

[1] This total includes $9,993.19 reported by four companies which gave totals for these items, but did not report the items separately.

The Postmaster General reported the mail expenses of the railways included in Document No. 105, for the month of November, 1909, as $2,676,503.75. It appears, therefore, that the omitted expenditures of these railways, for the seven items just enumerated, which constitute only a part of the items, he arbitrarily omitted from his tabulations, was not less than $401,126 during that month, or 14.99 per cent of the total he reported. As this total of $401,126 covers less than 92 per cent of the mail-route mileage represented in Document No. 105, it is evident that the true percentage of omission is still higher.

### (B) PERSONAL TRANSPORTATION.

The law enacted by Congress requires railways carrying mails to carry the persons in charge thereof without any additional compensation, but by a regulation, which the department assumes to have the force of law, the requirement has been extended to cover personal transportation for officers, agents, and representatives of the postal service, whether in charge of mails or otherwise.

"Railroad companies are required to convey upon any train, without specific charge therefor, all mail bags, post-office blanks, stationery, supplies, and all duly accredited agents of the Post Office Department and post-office inspectors upon the exhibition of their credentials." (Postal Laws and Regulations, sec. 1184.)

As this personal transportation bears no definite relation to the volume of mail carried on any particular route, and, whether paid for in any sense or otherwise, its amount neither increases nor diminishes the expenses of the Post Office Department. As it is, to the persons receiving it, actually free transportation, it is not surprising that liberal use of these privileges is made. This travel is particularly extensive on certain routes on which the through travel of the representatives and agents of the department is naturally in some degree concentrated, and on such routes it loses all relation or proportion to the volume of mail carried or to the amount of mail pay. Further, the department demands for postal employees, in both quantity and quality, free transportation far beyond that accorded to railway employees, and the former, although carried free, are in the same class, as regards responsibility for accidental injuries, as are paying passengers, a class involving much greater pecuniary liability than that to either railway or express employees.

In the case of express employees the principal liability is assumed by the express companies as a part of their contracts with the railways. That, in many instances, this privilege of free transportation is so enforced as to deprive the railways of fares, both for through travel and for suburban transportation to which they are justly entitled, is beyond denial. That the burden of supplying this extensive volume of personal transportation is an important element in the cost of rendering the services for which the railways are paid was fully admitted by the Postmaster General when he addressed his inquiries to the railways. Form 2602 (see H. Doc. No. 105, p. 28) requested the following facts as to each railway:

1. Number of miles traveled by department officials, inspectors, etc., and railway postal clerks not actually in charge of mails.

2. Value of above, at passenger rates not exceeding 2 cents a mile.

These questions were answered by the railways and the data asked for are in the possession of the Post Office Department, but the report contains no evidence of that fact; no use has been made of these data; they have not been compiled, aggregated, or compared for the information of Congress; whatever light they would throw upon the activities of the postal service or the conditions under which it is aided by the railways has been withheld. The only allusion to this information in the report is as follows:

"The information concerning the personal transportation of railway postal clerks and agents of the department when in charge of the mails and when not actually in charge of the mails * * * was not used. It was found impracticable to satisfactorily and fully verify it. However, no similar information was given regarding travel of officials and employees of the passenger service, and it is believed that the omission of these items with respect to the three classes of service has not materially affected the results, because there was no specific expenditure for the personal transportation involved and the mail service participated in the apportioned expenses of the passenger service on the car-foot mile basis." (H. Doc. No. 105, p. 6.)

These figures emanated from sources identical with those from which came all the data used by the department and possesses precisely equal reliability. The department has had no more opportunity to check the other figures than it has to check these. Moreover, the suggestion that this omission is immaterial because the expenses of the passenger service have been apportioned on a car-foot mile basis is self-contradictory, as the apportionment which was made rests upon considering only the space actually occupied by mail as chargeable to mail service and charges all other space, including that occupied by officers and agents of the Post Office Department traveling without charge under this requirement, to the other services rendered by passenger trains. Surely, if the cost of mail service is to be determined by the space which it requires and, in addition to space occupied by mail pouches and postal clerks the department also demands and receives space in passenger coaches, dining cars, and Pullman sleepers and parlor cars for its officers and agents who pay no passenger fares, space which otherwise might be occupied by paying passengers, this space ought to be considered as a part of the space chargeable to the mail service. The Postmaster General has suppressed the figures as to this travel, although before they were collected he obviously believed it to be an element of importance and arranged to ascertain the facts. With no intention to reflect discredit upon the purposes of the department it is asserted that it was, in fact, unfair to suppress these facts, that it would have been unfair not to add the space occupied in travel of this sort to the space occupied by the mails, but that the report is even more unfair than this, in that it not merely fails to include this space in the estimates of car-foot miles made in the mail service, it not merely ignores this travel, but it has actually added the space required for such travel to the space occupied by paying passengers. In this manner the free transportation accorded to the agents of the mail service has become a means of reducing the estimates of the cost of carrying the mails. In other words, this method leads to the absurd result that the larger the volume of free travel demanded by the agents of the Post Office Department and the more space required by them, the higher would be the proportion of the total passenger train space which would be assigned to passenger service and hence the smaller the portion of the total train cost which would be apportioned to the mails. The annual value of this personal transportation not required by law, but demanded by the department, exceeds $1,000,000.

### (c) RELATIVE RECEIPTS FROM PASSENGER, EXPRESS, AND MAIL TRAFFIC.

Although the passenger train services are not proportionately profitable, any just comparison of the receipts of the railways from mail traffic with the returns from any other passenger train traffic which they carry will show that the mail service falls farther below the level of reasonable remuneration than any other among the services rendered on such trains. In order to make clear the fact that such a showing would be the natural consequence of a comparison made upon the basis chosen by the Postmaster

General, that of relative car-foot mileage, the committee on railway mail pay has carefully tabulated data reported to the department in response to his requests, having been supplied for that purpose by many railways with duplicate copies of the reports, with the results shown by the table on page 20.

The totals and averages on page 20 have been derived from a painstaking and accurate tabulation of returns made by 187 railways, operating 2,411 mail routes and 178,709.96 miles of line, to the Post Office Department in compliance with its request and on the forms by its officers prepared. They doubtless epitomize the results which would appear from a complete tabulation of all the data received by the department.

That information as to the relative returns resulting from the different services supplied by the railways is essential to sound judgment as to the reasonableness of charges is elementary and fundamental and it is respectfully submitted that Congress, in connection with any report concerning railway mail pay is entitled to all the pertinent information in the possession of the officer or department making the report. These omitted facts were in the possession of the Post Office Department, it had been considered worth while to collect them, but again facts of primary significance were withheld. These suppressed data were collected on the Postmaster General's inquiry blank designated as Form 2604, which is printed on page 30 of House Document No. 105. No explanation of the reasons for this withholding of available, relevant, and important facts is to be found anywhere in the report.

Second. The Postmaster General has arbitrarily transferred to the passenger service much of the so-called "dead" space in mail cars, although this space could not be utilized as passenger space, thus improperly increasing the apparent car-foot miles of passenger service, and correspondingly decreasing the car-foot miles of mail service.

### (a) CAR-FOOT MILEAGE DEFINED.

As will more fully appear later in this report (see p. 32 et seq.) the Postmaster General has made the relative "car-foot mileage" devoted, respectively, to passengers, to express, and to mail, the basis of apportioning operating cost and taxes, and has also used the same data as a means of comparing both the present gross receipts and his estimates as to net receipts from these different services. Before setting forth the manner in which his methods have unjustly diminished the assignment of space to the mails and correspondingly increased the assignment to passengers, it is desirable to explain clearly the meaning of a "car-foot" and a "car-foot mile," as those units are used in the report. Measuring the inside length of a car from end to end and stating the length in feet gives the number of "car-feet" for that car. Ascertaining the car-feet of each car in a train and aggregating them produces a total which is the number of car-feet for the train. In other words, each linear foot of space available for traffic or for the handling or service of traffic in a car or train is a "car-foot." A car-foot combined with motive power and moved a mile becomes a "car-foot mile;" multiply the number of car-feet in a train by a number equal to the number of miles traversed by the train and the product thus obtained measures the movement in terms of car-foot miles. Space is ordinarily measured in square feet, and it should be understood that the car-foot differs from a square foot in a car in that while the latter consists of 144 square inches the former is a linear foot measured clear across the car and, therefore, assuming the inside width of the car to be 9 feet, would contain 9 square feet, or 1,296 square inches. It should also be clearly understood that the concept of the "car-foot," as used by the Postmaster General and in this report, is confined exclusively to those portions of the car or train which are required for the occupation or accommodation of traffic while the train is in motion and excludes engine and tender lengths as well as vestibule and platform space. Another fundamental characteristic of this method of admeasurement is that it includes aisle space in passenger coaches, sleepers, and parlor cars, as well as smoking rooms, lavatories, toilet rooms, dining cars, and club and lounging cars or compartments.

| Item. | Mail. | Express. | Passenger. | Total. |
|---|---|---|---|---|
| Car-foot miles | 1,153,110,245 | 1,320,108,589 | 9,902,370,150 | 12,375,588,984 |
| Per cent of total | 9.32 | 10.67 | 70.01 | 100.00 |
| Receipts | $3,721,796.04 | $5,075,221.53 | $43,738,722.85 | $52,535,740.42 |
| Per cent of total | 7.08 | 9.66 | 83.26 | 100.00 |
| Average receipts per car-foot mile, mills | 3.228 | 3.855 | 4.417 | 4.245 |
| Average receipts per 1,000 car-foot miles | $3.23 | $3.86 | $4.42 | $4.25 |
| Per cent of average receipts per car-foot mile to average from mail | 100 | 119 | 137 | 132 |

### (b) "DEAD SPACE" DEFINED.

The term "dead space" as used by the Postmaster General, is seriously misleading. An analysis of the transportation conditions which are involved readily discloses the fact that the space which he so designates belongs invariably to one of two classes. It is either (*a*) working space required for the accommodation of the persons or traffic actually in process of transportation, or (*b*) unused space necessarily provided in order to accommodate persons or traffic which may presently seek transportation and in such case must be cared for. The aisles of a passenger car, used for the ingress and egress of passengers, the lavatories, the smoking rooms, all dining-car space, etc., constitute working space, but this space is not properly designated as "dead" space unless that term is understood to express neither absence of utility nor of productivity. Such space is an absolute necessity of the service. Trains in suburban passenger service leave the cities which they serve with the seats nearly all filled, unused space accumulates as, at each successive station, more passengers debark than are taken up; but this unused space is a necessity of the service and its cost ought unquestionably to be met by the receipts from this branch of the service. All such space is "dead space," as the term has been applied by the Postmaster General, but it is not in any sense useless or unnecessary space, much less is it space which can be provided without cost to the railways or that ought to go unrecompensed by their revenues.

The obstacle to clear thinking involved in this misleading nomenclature having been removed, it is pertinent to observe that, using the term in the sense in which it is used in Document No. 105, "dead space," as well as "dead weight," is a universal incident of transportation upon almost any scale and by almost any means. The laborer with his wheelbarrow carries his load in but one direction; the weight of his wheelbarrow is "dead weight," the space occupied by the load during one-half of his round trip is "dead space" during the other half. The milk wagon making its morning rounds accumulates "dead space" as it distributes its "paying load." The grain-carrying trans-Atlantic steamers, being unable usually to obtain westbound cargoes equal in bulk to the foodstuffs which they carry eastward, have much "dead space" on their westward trips. Railway traffic affords no exception to the general rule.

Although the genius of rate-making officers has for more than a generation been largely devoted to efforts to develop equality of loading in different directions, there is no considerable route over which the empty-car movement and the partially loaded car movement are not matters of continuing concern. More than this, it is not uncommon to have seasonal variations in volume of traffic so that a heavy empty-car movement in one direction is unavoidable at one season although during the balance of the year there is an equally heavy movement of unloaded cars in the reverse direction. "Dead space" is also of importance where, for any reason, the load is wholly or partially distributed while the train or car is en route, as, for example, in local less-than-car-lot movement of freight and, as already noted, in suburban passenger service.

In the mail service so-called "dead space" of both varieties is unavoidable and important in its extent and cost. Closed mail pouches may occupy but a small amount of floor space in the end of a baggage car, but this is only a fraction of the space that must be provided in their service. In order that pouches may be taken on and put off at each mail station there must be "working space" in the car, aisles leading to the doors must be kept free and open, and no impediment to prompt and efficient handling can be permitted. Rarely, if ever, on any route is the volume of mail equal in both directions, and the delivery of mail at intermediate stations is seldom equaled by the mail taken up at the same stations. There are many cases in which larger postal cars, or apartment cars, or more storage cars are required in one direction than in the other. Obviously these cars must be returned or the service could not be maintained; it is equally obvious that the "dead space" in baggage cars carrying closed pouches of mail must equal the difference between the loading with mail at any particular time or point en route and the maximum quantity of mail at any time or point. Such temporarily unused space is palpably necessary.

### (c) RELATION OF "DEAD SPACE" TO COST OF ANY SERVICE.

It is perfectly plain that if a car of part of a car must be returned empty or if it must be carried during any part of its necessary movement empty, the paying load which it has in the other direction or during the balance of the journey ought to bear the expenses of the empty movement. The justice of this principle is self-evident—it requires neither elaboration nor discussion. As a consequence of the foregoing there are, in practice, two ways in which it would be reasonable to treat the dead space in passenger-train service if it should be considered practicable to ascertain the total cost of such service and to apportion that total among passengers, express, and mail

in proportion to the space required. No criticism of the treatment of "dead space" would have been made herein had the Postmaster General adopted either of the following plans:

First. Added the "dead space" incident to each branch of service to the paying space of that service, or,

Second. Ignored "dead space" made in all services and made the apportionment on the basis of paying space only.

### (d) WHAT THE POSTMASTER GENERAL DID.

The Postmaster General adopted neither of the foregoing plans. On the contrary, he unjustly deducted from the mail service much of the dead space necessarily incident to that service and added it to the space attributed to the passenger traffic, although before the addition was made passenger space had included all the dead space actually incident to the transportation of persons. He insisted on the assignment to passengers of "working space" necessary for the mails in baggage cars, although if such space were taken away they could not be handled, he refused to regard as mail space reserve space where larger cars or compartments than were presently asked for by the department were supplied, although the extra space was indispensable in the working of the mails, and he transferred to the passenger service unused space when the maximum mail movement in one direction exceeded that in the other or such maximum was not reached during the period covered by his investigation.

It may be noted, parenthetically, that even in the reports rendered by the railways the space occupied by officers, agents, and representatives of the Post Office Department not in charge of mails, who are furnished with transportation as an incident of the carriage of the mails and without any other compensation therefor, had been included in the space apportioned to passenger travel—plainly it ought to be considered as space assigned to mail service. Express space was made to include all "dead space" incident thereto, so that the mail service alone was singled out for exceptional treatment and in such a way as seriously to understate the demands which it makes upon passenger-train service and greatly to reduce the portion of the cost of such train service assigned to the mails. These modifications of the data correctly reported, not susceptible of justification upon any sound transportation principle, were carried so far in the tabulations of the Post Office Department that its results, which are stated for railway routes having a total length of 194,977.55 miles (Doc. No. 105, p. 58), show a smaller car-foot mileage made in the mail service than was actually reported by the railways concerned for routes having a length of 178,709.96 miles. The table on page 25 compares the department's total figures for 194,977.55 route miles with the totals of reports which it received covering 178,709.96 route miles.

As the difference between the route miles covered by the department's aggregate and by those of the routes whose reports were made available to the committee on railway mail pay amounts to 8.34 per cent of the former it would appear that the excess of the department's figures of car-foot miles ought, in every case, roughly to approximate the same percentage. But the foregoing shows that while the figures of the department as to car-foot miles made in the passenger and express service are able to support this test of their accuracy the same test demonstrates the inaccuracy of the department's figures as to car-foot miles made in the mail service. This may be shown in another way.

| Service. | Post Office Department, 194,977.55 route miles.[1] | | Reported by railways, 178,709.96 route miles. | | Differences. | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Excess of department's figures. | | Excess of railway's figures. | |
| | Car-foot miles. | Per cent of total. | Car-foot miles. | Per cent of total. | Car-foot miles. | Per cent of department's figures. | Car-foot miles. | Per cent of department's figures. |
| Passengers.. | 10,634,749,747 | 82.18 | 9,902,370,150 | 80.01 | 732,379,597 | 6.89 | ..... | ..... |
| Express.... | 1,379,315,759 | 10.66 | 1,320,108,589 | 10.67 | 59,207,170 | 4.29 | ..... | ..... |
| Mail..... | 926,164,459 | 7.16 | 1,153,110,245 | 9.32 | ..... | ..... | 226.945.786 | 24.50 |
| Total.. | 12,940,229,965 | 100.00 | 12,375,588,984 | 100.00 | 564,640,981 | 4.36 | ..... | ..... |

[1] Doc No. 105, pp. 58–59.

In the following table the average number of car-foot miles per mile of mail routes for each service, as reported by the Post Office Department, is compared with the averages resulting from the data reported to the department by the railways.

| Service. | Average number of car-foot miles per mail route mile. | | Excess of averages from railway reports. | |
|---|---|---|---|---|
| | Reported by Post Office Department. | Calculated from reports of railways. | Car-foot miles. | Per cent of department's figures. |
| Passenger | 54,544 | 55,410 | 866 | 1.59 |
| Express | 7,074 | 7,387 | 313 | 4.42 |
| Mail | 4,750 | 6,453 | 1,703 | 35.85 |
| Total | 66,368 | 69,250 | 2,882 | 4.34 |

The foregoing shows that the extensive modifications of the data showing car-foot miles made in the mail service, reported by the railways, have resulted in an average for that service, per mile of the mail routes covered, that must be increased by 35.85 per cent to equal the real average discoverable from the reports rendered by railways constituting 92.66 per cent of the mileage covered by the department's report. This percentage of difference is more than eight times the percentage resulting from comparing the department's figures for the express service with those compiled by the committee on railway mail pay and more than twenty-two times the difference as to the passenger service. It is no doubt true that the omissions in the figures available to the committee on railway mail pay are principally those representing mail routes having a volume of traffic, in all services, more or less below the averages resulting from its tabulations, but while this is freely admitted it is plain that the omitted routes could not so greatly offset the average for the mail service as to overcome even a major fraction of the enormous difference of 35.85 per cent in the average of car-foot mileage for mail service. The omissions may, however, and probably do, account for the divergencies as to the other services. The manner in which the data reported by particular roads were modified in the Post Office Department in order to obtain the results presented in the last two of the foregoing tables is illustrated by the comparisons on page 27 between the figures reported to the department by the Atchison, Topeka & Santa Fe Railway system and those presented in document No. 105 (pp. 38–39, 60) as representing the same system.

These comparisons show that the department, without giving any explanation for its action, reduced the reports of car-foot mileage of the Atchison, Topeka & Santa Fe Railway made in the mail service 36.45 per cent, while making no material change in the data for the other services.

| Item. | Car-foot miles. | | | | | | Per cent of total space. | |
|---|---|---|---|---|---|---|---|---|
| | As reported by the company. | As stated by Post Office Department. | | | | | | |
| | | Amount. | Increase. | | Decrease. | | As reported by the company. | As stated by Post Office Department. |
| | | | Amount. | Per cent. | Amount. | Per cent. | | |
| Passenger service: | | | | | | | | |
| Space utilized | ..... | 550,727,960 | ..... | ..... | ..... | ..... | ..... | 80.79 |
| Dead space | ..... | 14,966,609 | ..... | ..... | ..... | ..... | ..... | 2.20 |
| Total | 592,065,162 | 565,694,569 | ..... | ..... | 26,370,593 | 4.45 | 81.36 | 82.99 |
| Express service space | 80,132,841 | 80,714,628 | 581,787 | 0.73 | ..... | ..... | 11.01 | 11.84 |
| Mail service: | | | | | | | | |
| Postal cars space | 33,283,999 | 17,494,235 | ..... | ..... | 15,789,764 | 47.44 | 4.58 | 2.57 |
| Apartment cars space | 16,227,758 | 16,315,089 | 87,331 | .54 | ..... | ..... | 2.23 | 2.39 |
| Closed pouch space | 5,190,173 | 1,390,237 | ..... | ..... | 3,799,936 | 73.21 | .71 | .20 |
| Storage space | 782,710 | 61,953 | ..... | ..... | 720,757 | 92.08 | .11 | .01 |
| Total | 55,484,640 | 35,261,514 | ..... | ..... | 20,223,126 | 36.45 | 7.63 | 5.17 |
| Grand total | 727,682,643 | 681,670,711 | ..... | ..... | 46,011,932 | 6.32 | 100.00 | 100.00 |

Other changes by the Post Office Department in the car-foot mileage made in the mail service, reported in response to its request, are disclosed by the following table:

| Name. | Car-foot miles made in mail service, including dead space. | | | |
|---|---|---|---|---|
| | As reported by company. | As reported by Postmaster General. | Deducted by Postmaster General. | |
| | | | Amount. | Per cent. |
| Atlantic Coast Line | 16,800,427.66 | 13,659,616.79 | 3,140,810.87 | 18.69 |
| Baltimore & Ohio | 33,134,016.00 | 25,391,705.45 | 7,742,310.55 | 23.37 |
| Bessemer & Lake Erie | 424,741.00 | 300,775.09 | 123,965.91 | 29.19 |
| Boston & Maine | 14,820,915.00 | 11,371,921.93 | 3,448,993.07 | 23.27 |
| Central of Georgia | 6,030,349.00 | 5,245,036.62 | 785,312.38 | 13.02 |
| Central R. R. of New Jersey | 2,162,350.00 | 1,530,359.74 | 631,990.26 | 29.23 |
| Central Vermont | 2,265,184.00 | 1,907,204.00 | 357,980.00 | 15.80 |
| Chicago & Northwestern | 38,620,970.80 | 32,249,574.98 | 6,371,395.82 | 16.50 |
| Chicago, Burlington & Quincy | 62,246,130.00 | 50,760,723.99 | 11,485,406.01 | 18.45 |
| Chicago, Milwaukee & St. Paul | 46,326,237.00 | 35,471,925.00 | 10,854,312.00 | 23.43 |
| Chicago, Rock Island & Gulf | 1,218,058.00 | 1,098,873.96 | 119,184.04 | 9.78 |
| Chicago, Rock Island & Pacific | 38,651,162.00 | 30,188,296.09 | 8,462,865.91 | 21.90 |
| Cleveland, Cincinnati, Chicago & St. Louis | 21,950,549.00 | 17,610,438.37 | 4,340,110.63 | 19.77 |
| Colorado Midland | 387,863.00 | 294,482.91 | 93,380.09 | 24.08 |
| Delaware & Hudson Co | 3,833,876.00 | 2,270,541.27 | 1,563,334.73 | 40.78 |
| Delaware, Lackawanna & Western | 4,731,725.00 | 4,387,502.00 | 344,223.00 | 7.28 |
| Denver & Rio Grande | 5,836,923.00 | 4,710,380.45 | 1,126,542.55 | 19.30 |
| El Paso & Southwestern | 2,886,634.40 | 1,854,584.86 | 1,032,049.54 | 35.75 |
| Erie | 11,447,692.00 | 10,333,747.00 | 1,113,945.00 | 9.73 |
| Fort Worth & Denver City | 1,778,744.42 | 1,644,222.00 | 134,522.42 | 7.56 |
| Georgia, Southern & Florida | 2,032,509.00 | 1,277,000.56 | 755,508.44 | 37.17 |
| Grand Rapids & Indiana | 2,708,457.00 | 2,272,776.53 | 435,680.47 | 16.09 |
| Grand Trunk | 5,772,050.71 | 4,821,869.70 | 950,181.01 | 16.46 |
| Great Northern | 43,456,991.00 | 30,889,628.00 | 12,567,363.00 | 28.92 |
| Illinois Central | 37,537,425.00 | 25,683,865.00 | 11,853,560 00 | 31.58 |
| International & Great Northern | 4,601,135.00 | 3,694,491.90 | 906,643.10 | 19.70 |
| Lake Erie & Western | 2,457,460.00 | 1,465,023.42 | 992,436.58 | 40.38 |
| Lake Shore & Michigan Southern | 43,477,263.00 | 40,868,448.16 | 2,608,814.84 | 6.00 |
| Lehigh Valley | 5,713,580.00 | 4,054,625.25 | 1,658,954.75 | 29.04 |
| Long Island | 1,210,724.00 | 953,315.87 | 257,408.13 | 21.26 |
| Louisville & Nashville | 20,770,314.00 | 18,191,222.62 | 2,579,091.38 | 12.42 |
| Maine Central | 5,081,903.00 | 4,472,248.00 | 609,655.00 | 12.00 |
| Michigan Central | 8,586,016.00 | 7,176,420.36 | 1,409,595.64 | 16.42 |
| Minneapolis, St. Paul & Sault Ste. Marie | 12,484,886,00 | 9,286,840.71 | 3,198,045.29 | 25.62 |

| Name. | Car-foot miles made in mail service, including dead space. | | | |
|---|---|---|---|---|
| | As reported by company. | As reported by Postmaster General. | Deducted by Postmaster General. | |
| | | | Amount. | Per cent |
| Missouri Pacific | 21,395,240.00 | 16,887,104.88 | 4,508,135.12 | 21.07 |
| Nashville, Chattanooga & St. Louis | 8,160,447.69 | 6,105,558.37 | 2,054,889.32 | 25.18 |
| New York Central & Hudson River | 54,095,823.00 | 49,076,804.00 | 5,019,019.00 | 9.28 |
| New York, Chicago & St. Louis | 893,792.00 | 837,040.38 | 56,751.62 | 6.35 |
| New York, Ontario & Western | 1,087,251.00 | 982,820.94 | 104,430.06 | 9.60 |
| Norfolk & Western | 8,707,177.30 | 7,291,608.89 | 1,415,568.41 | 16.26 |
| Northern Central | 2,894,693.00 | 2,606,273.64 | 288,419.36 | 9.96 |
| Northern Pacific | 29,073,240.40 | 19,814,226.98 | 9,259,013.42 | 31.85 |
| Oregon Railroad & Navigation | 8,411,872.60 | 5,636,912.25 | 2,774,960.35 | 32.99 |
| Oregon Short Line | 11,588,199.00 | 7,635,493.00 | 3,952,706.00 | 34.11 |
| Pennsylvania Co | 28,747,137.00 | 23,288,845.22 | 5,458,291.78 | 18.99 |
| Pennsylvania Railroad | 57,819,519.00 | 46,974,972.68 | 10,844,546.32 | 18.76 |
| Peoria & Eastern | 1,814,670.00 | 1,381,441.10 | 433,228.90 | 23.87 |
| Philadelphia & Reading and allied lines | 5,226,386.04 | 3,270,478.16 | 1,955,907.88 | 37.42 |
| Philadelphia, Baltimore & Washington | 8,336,728.00 | 7,439,833.23 | 896,894.77 | 10.76 |
| Pittsburgh & Lake Erie | 765,207.00 | 674,064.79 | 91,142.21 | 11.91 |
| Pittsburgh, Cincinnati, Chicago & St. Louis | 32,383,524.00 | 24,054,604.27 | 8,328,919.73 | 25.72 |
| St. Louis, Iron Mountain & Southern | 15,109,450.00 | 12,382,363.83 | 2,727,086.17 | 18.05 |
| St. Louis Southwestern | 2,041,895.00 | 1,611,046.90 | 430,848.10 | 21.10 |
| San Antonio & Aransas Pass | 1,286,542.00 | 1,155,679.86 | 130,862.14 | 10.17 |
| San Pedro, Los Angeles & Salt Lake | 2,962,260.00 | 1,878,241.20 | 1,084,018.80 | 36.59 |
| Seaboard Air Line | 12,914,121.00 | 10,403,436.76 | 2,510,684.24 | 19.44 |
| Southern | 37,191,602.00 | 28,983,910.68 | 8,207,691.32 | 22.07 |
| Southern Pacific | 39,376,418.00 | 31,010,229.97 | 8,366,188.03 | 21.25 |
| Texas & Pacific | 7,429,705.00 | 6,271,189.34 | 1,158,515.66 | 15.59 |
| Toledo, Peoria & Western | 1,139,212.00 | 527,598.44 | 611,613.56 | 53.69 |
| Union Pacific | 37,228,978.00 | 23,458,659.00 | 13,770,319.00 | 36.99 |
| Vandalia | 14,827,412.00 | 10,908,799.55 | 3,918,612.45 | 26.43 |
| Virginian | 544,599.00 | 430,671.19 | 113.927.81 | 20.92 |
| Wabash | 21,132,209.00 | 16,232,004.31 | 4,900,204.69 | 23.19 |
| West Jersey & Seashore | 1,132,387.00 | 693,987.04 | 438,399.96 | 38.71 |
| Wheeling & Lake Erie | 811,313.00 | 577,055.62 | 234,257.38 | 28.87 |
| Wichita Valley | 550,015.00 | 324,988.66 | 225,026.34 | 40.91 |
| Total | 988,524,286.02 | 778,197,633.71 | 210,326,652.31 | 21.28 |

Nowhere in the Postmaster General's report is there any explanation of the reasons for these very extensive changes in the basic data utilized in his calculations, nor indeed, is there any intimation that any modifications of importance were made. There is no admission that any changes at all, arbitrary or otherwise, were made save in the bare statement on page 6 that discrepancies and inaccuracies were corrected. It is submitted that this acknowledgment is utterly inadequate recognition of changes which, as shown by the statement above, covering only the roads named, aggregate 210,326,652 car foot-miles, or an average of 21.28 per cent. Apparently it was thought to be proper that Congress should be left to understand that, barring minor and relatively unimportant corrections, the data reported had been obtained from the railways and were, therefore, presumably accepted by them as truthful statements of facts. Nothing could be more contrary to the real situation. As has been seen, the statements made by the railways were radically reduced in nearly every instance; the carriers assert and are prepared to sustain the essential accuracy of their reports. The units of the department's calculations are necessary if its results are to be satisfactorily checked and corrected and the Postmaster General should be required to transmit the original data to Congress and thus to afford an opportunity to trace in detail the changes which he has felt authorized to make and for testing the validity of these changes and of the resulting averages and aggregates. By no other means can the true figures be established with certainty nor can the railways otherwise be accorded a fair opportunity to demonstrate the complete accuracy of their original returns. It can be demonstrated that scrutiny of these original data and computations would disclose numerous and serious clerical errors and omissions by the department, resulting in a further unjust reduction in the train space credited to the mails. Such errors have since been conceded by the department in the case of individual roads, the aggregate of the conceded corrections in the case of one system being about 19,000,000 car foot-miles, and these concessions by the department go far to discredit the entire value of Document No. 105.

(E) FURTHER PROOF OF ARBITRARY TREATMENT OF SPACE.

The absence of any uniform or rational relation between the car foot-mileage for mail service reported in Document No. 105 and the services demanded by and supplied to the Post Office Department is made fully apparent by an examination of the figures given for some of the smaller routes and comparing them with the services rendered on those routes. The table on page 30, prepared from the Postmaster General's Table 8A (Doc. No. 105, pp. 282–283), supplemented, as to the figures of one column only, by reference to the annual reports of the Second Assistant Postmaster General for the years 1908 to 1911, inclusive, amply demonstrates the truth of this statement.

| Route number. | Length, in miles. | Average daily weight, in pounds. | Number of single trips during November, 1909. | Pound miles during November, 1909. | Service miles during November, 1909. | Car-foot miles during November, 1909. | Pound miles per car-foot miles. | Service miles per car-foot miles. |
|---|---|---|---|---|---|---|---|---|
| 139072 | 15.23 | 148 | 50 | 62,621 | 762 | 1,134.90 | 55 | 0.67 |
| 168021 | 6.41 | 94 | 60 | 18,076 | 385 | 194.06 | 93 | 1.98 |
| 168023 | 20.30 | 52 | 60 | 31,668 | 1,218 | 1,010.94 | 31 | 1.20 |
| 118051 | 9.62 | 74 | 100 | 21,356 | 962 | 488.80 | 44 | 1.97 |
| 114057 | 17.39 | 113 | 50 | 58,952 | 870 | 750.98 | 79 | 1.16 |
| 110093 | 9.01 | 65 | 100 | 17,569 | 901 | 449.28 | 39 | 2.01 |
| 126041 | 20.38 | 126 | 100 | 77,036 | 2,038 | 1,759.20 | 44 | 1.16 |
| 149050 | 29.64 | 82 | 60 | 72,914 | 1,778 | 1,593.60 | 46 | 1.12 |
| 110224 | 8.08 | 14 | 100 | 3,394 | 808 | 416.00 | 8 | 1.94 |
| 139091 | 42.40 | 98 | 105 | 124,656 | 4,452 | 2,280.44 | 55 | 1.95 |
| 114072 | 16.46 | 78 | 100 | 38,516 | 1,646 | 832.00 | 46 | 1.98 |
| 107010 | 26.73 | 37 | 75 | 29,670 | 2,005 | 1,176.07 | 25 | 1.70 |
| 118075 | 13.15 | 94 | 50 | 37,083 | 658 | 604.24 | 61 | 1.09 |
| 121028 | 10.36 | 205 | 150 | 63,714 | 1,554 | 780.00 | 82 | 1.99 |
| 107165 | 10.84 | 175 | 100 | 56,910 | 1,084 | 749.80 | 76 | 1.45 |
| 176115 | 36.03 | 152 | 104 | 164,297 | 3,747 | 2,830.89 | 58 | 1.32 |
| 137030 | 61.29 | 85 | 50 | 156,289 | 3,064 | 2,632.76 | 59 | 1.16 |
| 137128 | 50.68 | 53 | 73 | 80,581 | 3,700 | 2,319.52 | 35 | 1.60 |
| 147028 | 23.22 | 93 | 60 | 64,784 | 1,393 | 1,142.42 | 57 | 1.22 |
| 147039 | 39.81 | 130 | 60 | 155,259 | 2,389 | 4,867.20 | 32 | .49 |
| 114068 | 19.77 | 42 | 50 | 24,910 | 988 | 783.36 | 32 | 1.26 |
| 126038 | 20.09 | 67 | 75 | 40,381 | 1,057 | 786.50 | 51 | 1.92 |
| 107182 | 21.19 | 133 | 100 | 84,548 | 2,119 | 1,544.00 | 55 | 1.37 |
| 107054 | 7.66 | 169 | 100 | 38,836 | 766 | 819.85 | 47 | .93 |
| 120034 | 9.66 | 208 | 150 | 60,278 | 1,449 | 805.19 | 75 | 1.80 |
| 116077 | 6.09 | 128 | 118 | 23,386 | 719 | 725.34 | 32 | .99 |
| 169019 | 12.00 | 177 | 60 | 63,720 | 720 | 380.70 | 167 | 1.89 |
| 110197 | 17.11 | 96 | 50 | 49,277 | 856 | 582.40 | 85 | 1.47 |
| 176064 | 36.14 | 136 | 50 | 147,451 | 1,807 | 3,246.48 | 45 | .56 |
| 168020 | 35.37 | 192 | 60 | 203,731 | 2,122 | 1,810.19 | 113 | 1.17 |
| 127048 | 20.09 | 54 | 50 | 32,546 | 1,004 | 726.18 | 45 | 1.38 |
| 114030 | 5.26 | 148 | 170 | 23,354 | 894 | 443.70 | 53 | 2.01 |
| 114071 | 12.62 | 26 | 50 | 9,844 | 631 | 327.00 | 30 | 1.93 |
| 120052 | 6.28 | 88 | 110 | 16,579 | 691 | 514.60 | 32 | 1.34 |
| 110014 | 3.58 | 140 | 100 | 15,036 | 358 | 179.56 | 84 | 1.99 |
| 116021 | 11.02 | 112 | 100 | 37,027 | 1,102 | 540.80 | 68 | 2.04 |
| 145082 | 23.60 | 120 | 58 | 84,960 | 1,369 | 1,013.40 | 84 | 1.35 |

NOTE.—Columns 2, 3, and 7 are from Document No. 105, Table 8A; column 4 is based on annual reports of the Second Assistant Postmaster General for 1908–1911; column 5=2×3×30 days; column 6=column 2×4; column 8=column 5÷7; column 9=column 6÷7.

The foregoing table includes every route having closed-pouch service only and for which the data contained in the second, third, and seventh columns are given, represented in Table 8A of the report. The figures in the second, third, and seventh columns are taken from that report, and those in the fourth are based upon facts shown in successive annual reports of the Second Assistant Postmaster General. The figures in the fifth column, headed "Pound miles during November, 1909," are the product of those in the second and third columns multiplied by 30; those in the sixth column, headed "Service miles during November, 1909," are the product of those in the second and fourth columns; those in the eighth are quotients of those in the fifth divided by those in the seventh; and those in the ninth are quotients of those in the sixth divided by the same divisors. The wide range in the relations disclosed by the figures in the last two columns of this table points plainly to the unreliability

of the method adopted in assigning car-foot miles, and it is clear that if such inconsistent results are found as to these smaller routes divergencies from the facts at least equal in proportions must vitiate the more elaborate and difficult calculations necessary in connection with the more important mail routes. It is startling, therefore, to find that the Postmaster General has assigned a car-foot mile to every 8 pound miles in one instance (route No. 110224), while in another the proportion is one car-foot mile to 167 pound miles (route No. 169,019). Equally surprising is the variation in the relation between service miles and car-foot miles, the range shown by the table being from 0.49 service miles (route No. 147039) per car-foot mile to 2.04 (route No. 116021).

A particularly strange contrast appears in the Postmaster General's Table 8A between route 176064, operated between Plumas Junction and Clio, Cal., by the Sierra Valleys Railway, and the route immediately following in the table, which is 168020, operated by the Arizona & Colorado Railroad, of the Southern Pacific Co.'s system, between Cochise and Gleason, Ariz. These routes are 36.14 and 35.37 miles in length, respectively, thus showing a difference in length of only three-quarters of a mile, or 2.13 per cent. Both routes have closed-pouch service only. Both are now paid at the minimum per mile rate, the difference in length giving a difference in annual compensation of $32.92. Reference to page 256 of the Annual Report of the Post Office Department for the year 1910 shows that on route 176064 the service is six times per week in both directions, while page 238 of the same report shows that on route 168020 the service is seven times per week. The average daily weight of mails given in Document No. 105 for these routes is 136 and 192 pounds, respectively. Here, then, are two routes that present no wide or marked difference of any sort; they carry about the same distance very similar quantities of mail, in the same manner, and with little difference in frequency of service. It would be reasonable to suppose that the car-foot mileage assigned to these routes would not vary more than these controlling conditions of service, but such is not the case. The route carrying only 136 pounds of mail daily (176064) has been assigned 3,246.48 car-foot miles, and the route carrying 192 pounds has been assigned only 1,810.19 car-foot miles. Thus an excess of 79.34 per cent in the car-foot miles assigned to route 176064 over those assigned to route 168020 rests upon no more substantial basis than 16.67 per cent more frequent service and 2.13 per cent greater length of haul and is, despite an excess of average daily weight, on the latter route of 41.18 per cent. Curiously enough, the vagaries of the methods followed by the department provide an offset for this assignment of 80 per cent more car-foot miles to one route than to the other, and Table 8A further shows that the Postmaster General estimates the cost incurred in its mail service of the route which, he says, made 3,246.48 car-foot miles as $15.25 and that of the route which made 1,810.19 car-foot miles as $20.71. These figures give an average car-foot mile cost of 11.441 mills for the Arizona & Colorado, which is a part of a great system, as compared with an average of 4.69 mills for the Sierra Valleys Railway, a difference of 243.94 per cent of the smaller average.

The following statement demonstrates still more vividly the inequalities resulting from the application of the Postmaster General's method of assigning space:

| Route No. | Length in miles. | Average daily weight, 1909. | Car-foot miles made in closed pouch service.[1] | Number of trains per day. | Number of car-foot miles reported by railway. |
|---|---|---|---|---|---|
| 107,074 | 12.64 | 291 | 2,679 | 10 | 4,790 |
| 110,024 | 12.25 | 989 | 2,521 | 10 | 6,734 |

[1] Reported in Document No. 105.

These two routes have only closed pouch service and are about the same length, have the same number of trains carrying mail and similar conditions in every way, except No. 110,024 carries about three and one-half times as much mail as 107,074 nevertheless the Postmaster General credits 107,074 with 158 car-foot miles in excess of the number credited to No. 110,024. Such inconsistencies as these counteract any superficial plausibility that the report might otherwise possess and destroy all confidence in the accuracy of its conclusions as to space or cost of service.

(F) THE EFFECT OF THESE ARBITRARY METHODS.

Under the methods applied by the Postmaster General, and by reason of the recommendation which he bases upon these figures, the facts as to relative space devoted, respectively, to passengers, express, and mail become of the first importance. They are the facts which control the estimates of cost, and, therefore, the recommendation as to compensation. By arbitrarily reducing the car-foot mileage made in the mail service of any company the Postmaster General reduced the estimate of cost of carrying the mail for that company because by his method cost is largely a derivative of car-foot miles, and he also reduced his proposal as to its compensation, for he asks to be authorized to base payment upon his alleged costs. Using the data as to the Atchison, Topeka & Santa Fe system, in the table on page 27, it is possible to ascertain just how much the changes affected the results claimed by the Postmaster General as representing the mail operations of that system. Turning, first, to pages 272 and 273 of the report it appears that in his table 7 the Postmaster General reports the "operating expenses and taxes chargeable to passenger traffic" of the Atchison, Topeka & Santa Fe as $1,964,620.10, that no part of this was directly charged to mail, and that $97,186.52 was apportioned to mail. A simple arithmetical calculation supplies the omitted element in this statement and discloses the fact that $84,803.47 of the $1,964,620.10 was directly charged to passengers and express and that the balance, $1,879,816.63, was apportioned on the car-foot mileage basis.

As the department had allowed only 5.17 per cent of passenger-train space to the mails it assigned only 5.17 per cent of this total expense to the mails. But the company reported 7.63 per cent of its passenger-train space as devoted to mail and not 5.17 per cent, the figure used by the Postmaster General. If the latter had used the company's figure the cost apportioned to mail by his method would have been $143,430.01 instead of $97,186.52, as stated in Table 7. The revenue from mail of this system is given in the same table as $159,567.06, so that if the department had used the accurate figures reported by the company it would have found a moderate surplus over operating cost and taxes of but $16,137.05 instead of the surplus of $62,380.54, which it claimed to find. And this result would have been inevitable, except for the arbitrary changes in the data as to space, in spite of the fact that the reported operating cost of the whole passenger-train service is very much too low. What is true as to the effect of these changes with respect to the Atchison, Topeka & Santa Fe's figures is true as to substantially every company included in the report.

(G) CONCLUSION NECESSARY FROM THESE FACTS.

The inevitable conclusion from these necessarily destructive criticisms drawn from the figures of the report and the public records of the postal service is that all the elaborate tables prepared in the Post Office Department, so far as they purport to show car-foot mileage made in the mail service, are based upon radical modifications of the data reported at its request and upon arbitrary and undisclosed estimates, with the result that they throw no light whatever upon the real or relative extent or cost of the services and facilities supplied by the railways. On the contrary, they destroy the value of every calculation in which they are an element, and as they enter into the most fundamental computations which document No. 105 contains they deprive the whole report of whatever value it might otherwise possess. Until these data are carefully checked and fully corrected and the modifications which these corrections would entail extended to the figures that are dependent upon or result from the use of car-foot mileage the use of document No. 105 as a basis or guide in the formulation of legislation would be unfair, unwise, and indefensible.

Third. The Postmaster General has apportioned expenses incurred for the joint purposes of the passenger and freight services between these services in accordance with a method never accepted by anyone with practical experience in railway accounting or operation.

The fairness of railway mail pay can be tested by apportioning operating expenses between passenger and freight traffic, and then making a secondary apportionment of the passenger expenses between mail and other kinds of traffic carried on passenger trains. This method involves charging directly to each kind of traffic all expenses pertaining exclusively thereto and the apportionment on some fair basis of those expenses which are common to more than one kind of traffic.

In accordance with the request of the Postmaster General the railways estimated the cost of conducting the mail service in the manner just explained and reported the results to the Postmaster General. After first charging to each service the ex-

penses wholly due to it they apportioned the common expenses between the passenger and freight services, following (with inconsequential exceptions) the method most generally employed for that purpose, namely, the apportionment of these expenses in the proportions of the revenue train mileage of each service. Having estimated in this way the operating expenses attributable to passenger trains the railways assigned to the mails the portion of this aggregate indicated by the proportion of the total passenger-train space required for the mails. Using this method 186 railways, operating 2,370 mail routes, with a total length of 176,716 miles, ascertained and reported that for November, 1909, the operating expenses (not including taxes) for conducting the mail service were $4,009,184. The Postmaster General states (Doc. 105, p. 281) that all the railways represented in the foregoing, and enough others to increase the mileage represented to 194,978 miles, were paid for the same month only $3,607,773.13. It thus appears that the pay was far below the operating expenses, without making any allowance for taxes or for a return upon the fair value of the property employed.

While different methods are in use for ascertaining the cost of passenger-train service and the results produced by such methods may show considerable variation, yet the mail pay is so far below reasonable compensation, from the standpoint of the cost of the service and a return upon the value of the property, that no method can be reasonably urged which would not demonstrate the noncompensatory character of the present mail pay. This is illustrated by the method which the Postmaster General himself employed, as the character of that method is such that it necessarily produces the very lowest estimate of cost for the passenger-train service.

| | |
|---|---|
| The Postmaster General, by his method of apportionment, arrived at a cost of | $2,676,503.75 |
| But this must be increased on account of his erroneous apportionment of car space by | 800,802.00 |
| And also on account of his refusal to assign expenses directly incurred in the mail service (p. 15) | [1] 401,126.00 |
| Total, according to the Postmaster General's method of apportioning costs between passenger and freight traffic | 3,878,431.75 |

Thus even the Postmaster General's method of apportioning costs between freight and passenger traffic produces an operating cost in excess return upon the fair value of the property or necessary but nonincome of the total pay received by the railroads, leaving nothing whatever for producing improvements.

There is no allowance in any of these estimates of cost for the large volume of free transportation supplied to officers and agents of the Post Office Department when not in charge of mail, although this amounts to over 50,000,000 passenger miles annually, and at the low average rate of 2 cents per mile would cost the Post Office Department more than $1,000,000 per year.

Fourth. The Postmaster General has wholly overlooked the fact that a large part of the costs incurred by the railways in carrying the mails consists of interest on the capital they employ. By ignoring all capital expenses, confining his attention to mere operating costs, and proposing to return to the railways only the amount of these operating costs, plus 6 per cent, he urges a method which, if applied generally to all their business, would render every railroad at once bankrupt.

### (a) POSTMASTER GENERAL ADMITS THAT SOME ITEMS OF EXPENSE WERE OMITTED.

Attention has already been called herein to the admissions in Document No. 105 that neither the expenditures on account of station services and terminal facilities (see pp. 9–16) nor the cost of personal transportation furnished without special charge therefor to the officers and agents of the postal service (see pp. 16–18) were included in its estimates of cost. Attention has also been directed to the specific admission that only two kinds of cost were considered, which admission was made in the following words:

"It is shown that, upon this basis of calculation, the information furnished and the assignment of operating expenses and taxes (the factors of expense considered), the performance of mail service at the present rates is profitable to many companies and unprofitable to others * * *." (Doc. No. 105, p. 14.)

[1] There may be some duplication in this item, but to eliminate it would require an elaborate computation, which in view of the broad margin of expenses over receipts, is wholly superfluous. Whatever duplication exists must be small in comparison with this margin.

(B) THE POSTMASTER GENERAL IGNORES THE FACT AFTER HIS ADMISSION.

Yet after this admission the report, curiously and inconsistently enough, proceeds to assert that the figures show the relation between actual cost to the railways and their present mail pay. The sentence last above quoted continues, in the very next words, as follows: "But that the net result shows that the Government is paying more for the service than it costs the railroad companies to perform it; furthermore, that this excess over cost and 6 per cent profit is about $9,000,000 a year; that in cases where railroad companies are carrying the mails at a profit the per cent of profit over the cost of performing the service varies in almost every instance, ranging from a low to a high rate, and that in cases where railroad companies are carrying the mails at a loss the per cent of loss compared with the cost of performing the service varies in the same manner." (Doc. No. 105, pp. 14–15.)

Referring, over his own signature, to the foregoing, the Postmaster General says:

"The committee estimates that through a readjustment of railway mail pay on the basis of cost with 6 per cent profit a saving to the Government could be made of about $9,000,000." (Doc. No. 105, p. 3.)

And in his annual report to the President, dated December 1, 1911:

"The statistics obtained during the course of the investigation disclosed for the first time the cost of carrying mail in comparison with the revenue derived by the railways from this service. * * * If Congress gives the recommendation of the department in this regard its favorable consideration and authorizes a readjustment of railway mail pay in the manner suggested, it is believed that the resulting saving to the Government will amount annually to about $9,000,000." (Annual Report of the Postmaster General for the fiscal year 1911, pp. 19–20.)

The Second Assistant Postmaster General makes substantially the same statement, but in words which point definitely to a source which discloses the incomplete nature of the estimates of alleged cost. He says:

"A computation has been made, based on Table 7, of the amount of revenue the companies or systems reporting would receive if their compensation for mail service were based on the cost of carrying the mails and 6 per cent of such cost. The results indicate that the companies represented in the computation would receive annually under such method of payment about $9,000,000 less than at present." (Doc. No. 105, p. 7.)

Turning to Table 7 (Doc. No. 105, pp. 272–281) there is no difficulty in verifying the facts already stated as to the factors of cost included and as to those ignored. The truth is disclosed by the table headings. Thus, as to the Abbottsford & Northeastern Railroad, the first company shown, the table headings and the entries under them, on page 272, are as follows:

| Table heading. | Entry. |
|---|---|
| Total operating expenses (passenger and freight) | $1,522.10 |
| Taxes | 90.49 |
| Total operating expenses and taxes | 1,612.59 |
| Total operating expenses and taxes chargeable to passenger traffic | 268.19 |
| Passenger traffic, operating expenses, and taxes chargeable to mail service: Apportioned | 5.20 |
| Total | 5.20 |

It will, of course, be noted that the items of expenses shown in the foregoing are those of operation and taxation only. All other expenses are absolutely ignored. Yet the next page shows that this obviously incomplete item of $5.20 was compared with the company's mail pay receipts for the month, $54.25, and the whole excess, $49.05, shown as "gain from mail service." That the company had any other expenses than those enumerated is wholly ignored. And the same is true as to every other company and as to the whole of the Postmaster General's report.

(C) THE FACTORS IN COST OF PRODUCTION.

The science of political economy may be almost said to begin with the classification of the factors of production under the three heads of labor, land, and capital, and the explicit recognition that each of these factors entails a distinct element of cost of production. Thus labor receives wages, which constitute an element of cost of production; land receives rent, which is another element; and capital receives interest, which is a third element. The term "interest" as thus used is the exact equivalent, in economic nomenclature, of the term "reasonable return on investment," as used

in ordinary parlance to denote the cost directly and properly occasioned by the use of capital. Where a Government is supported in whole or in part by taxes on production the sums so paid may not improperly be treated as an additional element in cost of production and, under modern conditions, in which the whole process of production is rarely under unified control, the cost of materials is also in the nature of an item of such cost, at least from the point of view of any separate enterprise or establishment. Every one of these items of cost must be satisfied or there is loss; until they are all fully met there can be no such thing as profit. Railways have capitalized the rents of their rights of way and other land holdings, and it is sufficient therefore to speak of the cost of production of the services they supply as including only the four elements of (*a*) reasonable return on investment or interest, (*b*) wages, (*c*) cost of materials, and (*d*) taxes. Operating expenses include wages and cost of materials (i. e., fuel, rails for replacement, etc.). So the Postmaster General has actually included three of the four factors and excluded the other; that is to say, he has ignored the recognized right of investors to a fair return upon the fair value of the property necessarily employed to render the services.

To speak of "6 per cent profit," as the Postmaster General has (Doc. No. 105, p. 3), when there has been no allowance for any return to investors, an essential and inevitable part of the cost of production, is a gross and misleading misuse of terms that have definite and established meanings. Railways are much less able to ignore the rights of investors to proper and regular returns than some other undertakings, because, with very few exceptions, their entire property holdings are pledged by mortgages given to secure interest payments. To be unable to pay interest therefore spells bankruptcy. From the point of view of the traveling and shipping public a reasonable recognition of the right of the owners of railway property to receive returns upon their investments reasonably proportioned to its fair value is equally important. The rapidly growing industries of the United States continually require the services of more and better railway facilities and their urgent demands can be met only by the annual addition of very large sums to the capital invested in American railways. This needed capital can not be obtained unless the promise of reasonable returns thereon is supported by evidence that capital already invested, under competent management, is able to earn fair returns. If Congress should now adopt the attitude of the Postmaster General, as developed in Document No. 105, and ignore all capital expenses in fixing rates of payment for the mail facilities and services supplied by the railways, it would be notice to all potential investors in railway property that the policy of the Federal Government had been so formulated as to deny their right to reasonable compensation for the use of their capital.

### (d) RAILWAY INVESTORS ARE CONSTITUTIONALLY PROTECTED IN THE RIGHT TO REASONABLE RETURNS.

The Postmaster General appears to have overlooked the fact that the Constitution of the United States protects the owners of railway property against such a congressional confiscation of the right to use their property as he proposes. In recommending a plan of payment which excludes any return whatever upon the value of the property used in rendering the services required by the Post Office Department he has proposed a plan that would be absolutely repugnant to the following well-known provisions contained in Article V of the amendments:

"No person shall * * * be deprived of * * * property, without due process of law; nor shall private property be taken for public use, without just compensation."

It is not proposed or in any way necessary to enter upon an elaborate constitutional argument, for everyone knows that the foregoing and the similar prohibition contained in the fourteenth amendment have repeatedly been applied to prevent action similar in character, albeit much less drastic, to that now proposed by the Postmaster General. One citation, and that from a decision of the Supreme Court of the United States, will suffice:

"The corporation may not be required to use its property for the benefit of the public without receiving just compensation for the services rendered by it. * * *

"We hold, however, that the basis of all calculations as to the reasonableness of rates to be charged by a corporation maintaining a highway under legislative sanction must be the fair value of the property being used by it for the convenience of the public. * * * What the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience." (Smyth *v.* Ames, 169 U. S., 466, 546–547; 42 L. Ed., 819, 849.)

In the case from which the foregoing is quoted the Supreme Court affirmed a decision preventing the enforcement of a schedule of maximum rates enacted by the

Legislature of Nebraska as to two companies (among others) with regard to which the court had found that they would have earned, in the years under consideration, more than their operating expenses, because, as said in the opinion:

"The receipts or gains, above operating expenses, would have been too small to affect the general conclusion that the act, if enforced, would have deprived each of the railroad companies involved in these suits of the just compensation secured to them by the Constitution." (Smyth *v.* Ames, 169 U. S., 466, 547; 42 L. Ed., 819, 849.)

Although the fourteenth amendment in particular has repeatedly been invoked to prevent the enforcement of rates prescribed under legislative authority which the courts have held would amount to a confiscation of the use of railway property by depriving its owners of a return on its fair value, that is to say, of interest, no legislature has ever yet acknowledged an intention to fix rates so low as to have that result. Until the Postmaster General made the recommendation embodied in Document No. 105 no public officer had ever avowed a purpose to refuse to any railway carrier a fair return on the fair value of any property used to render any service, no legislature had ever enacted a law which it admitted would have that effect, no State or national railroad commission had ever claimed that power exists to ignore the right of property to a reasonable return, and, therefore, no court has ever yet been required to pass upon the validity of law-made rates in the light of a frank admission that they would do no more than provide for operating expenses and taxes, leaving nothing, or substantially nothing, to the owners of the property. That such a contention will ever be made in any court is beyond belief.

### (E) AMOUNTS OF EXPENSES IGNORED BY THE POSTMASTER GENERAL.

The Interstate Commerce Commission has just published the report of its statistician for the year which ended with June 30, 1910, from which it appears (p. 70) that the gross receipts of the railways, amounting to $3,005,112,836 (this sum includes operating revenues, $2,750,667,435; net revenue from outside operations, $2,225,455; and other income, $252,219,946, and thus obviously represents duplications in such instances as the payment of rent for leased railway out of operating revenues when all or part of the amount so paid becomes, in turn, "other income" through receipt of interest or dividends on securities of the leased lines held by the lessee. These duplications are unavoidable, however, if on the expense side are properly to be set up such inter-corporate payments as those of rentals of leased railways) during that year were disposed of as shown by the table on page 41.

Omitting all expenses, included in the foregoing table, that are not absolutely necessary to avoid bankruptcies and the disruption of operating systems, the expenses shown in the table at the top of page 42, in addition to those allowed for by the Postmaster General, at the very least, must be provided for out of earnings:

| Item. | Amount. | Per cent of total. | Per cent of total of operating expenses and taxes. |
|---|---|---|---|
| Operating expenses | $1,822,630,433 | 60.65 | 94.90 |
| Taxes | [1] 98,034,593 | 3.26 | 5.10 |
| Deductions from gross corporate receipts: | | | |
| Rents for lease of other roads | 133,881,409 | 4.45 | 6.97 |
| Hire of equipment, debit balances | 27,625,077 | .92 | 1.44 |
| Paid for use of joint facilities | 28,811,031 | .96 | 1.50 |
| Miscellaneous rents | 2,933,067 | .10 | .15 |
| Loss on account of separately operated properties | 1,466,897 | .05 | .08 |
| Interest on funded debt | [1] 349,092,709 | 11.62 | 18.17 |
| Other interest | 13,207,243 | .44 | .69 |
| Sinking and redemption funds chargeable to income | 5,355,416 | .18 | .28 |
| Other deductions | 5,480,239 | .18 | .28 |
| Dividends | [1] 283,411,828 | 9.43 | 14.76 |
| Appropriations for additions and betterments and for new lines and extensions | 55,061,675 | 1.83 | 2.87 |
| Appropriations for reserves | 2,640,893 | .09 | .13 |
| Credit to profit and loss | 175,480,326 | 5.84 | 9.14 |
| Total | 3,005,112,836 | 100.00 | 156.46 |

[1] These items do not include payments made under these heads by leased lines, as such payments are made out of the proceeds of the item entitled "Rents for lease of other roads."

| Item. | Omitted expenses. | |
|---|---|---|
| | Amount. | Per cent of expenses considered by Postmaster General. |
| Rents for lease of other roads | $133,881,409 | 6.97 |
| Hire of equipment, debit balance | 27,625,077 | 1.44 |
| Payments for joint facilities | 28,811,031 | 1.50 |
| Miscellaneous rents | 2,933,067 | .15 |
| Interest on funded debt | 349,092,709 | 18.17 |
| Other interest | 13,207,243 | .69 |
| Sinking and redemption funds | 5,355,416 | .28 |
| Total | 560,905,952 | 29.20 |

The Postmaster General's plan, however, if applied to all railway traffic, would allow the railways to receive for the services they render only the amount of their operating expenses and taxes; that is, $1,920,665,026, plus 6 per cent of that amount, which is $115,239,922. Thus, instead of the $560,905,952 absolutely necessary, as has been seen, to maintain their systems and keep them out of the hands of receivers they would have only $115,239,922, or 20.55 per cent, about one-fifth of the necessary amount. Of course, every reasonable person realizes also that the item of "dividends," as well as most of the other items in the table next but one above, is a necessary item and must be met if the railways are to be fairly treated—if they are to be protected in their constitutional right to receive just compensation for their services and if they are to be enabled to render proper and adequate services as common carriers. The fact that the Postmaster General's plan could not be generally applied without destructive effect should deprive it of any support whatever. There is nothing in the character of the mail traffic which suggests that it ought to be treated exceptionally or carried for so low a figure as to require rates on other transportation to be kept at a higher level in order to prevent the insolvency of the carriers. Such treatment would make the mail service a tax on every other service rendered by the railways.

(F) EVEN ON THE BASIS OF THE UNFAIRLY LOW ESTIMATES OF OPERATING COSTS MADE BY THE POSTMASTER GENERAL, ALLOWANCE FOR THE OMITTED EXPENSES WOULD MAKE THE MAIL PAY HIGHER THAN IT IS NOW.

The following figures are deduced from those contained in Table 7, Document No. 105, pages 280–281:

| | | |
|---|---|---|
| Railway mail pay for November, 1909 | | $3,607,773.13 |
| Operating expenses and taxes, same month | | 2,676,503.75 |
| By reference to page 41 of this statement, it will be seen that the gross receipts of all railways for the year ended June 30, 1910, as reported by the Interstate Commerce Commission were | | 3,005,112,836.00 |
| Deducting therefrom— | | |
| Operating expenses and taxes | $1,920,665,026.00 | |
| Appropriations to additions and betterments and for new lines and extensions | 55,061,675.00 | |
| Credit to profit and loss | 175,480,326.00 | |
| | | 2,151,207,027.00 |
| There remains | | 853,905,809.00 |

Equals 44.45 per cent, which must be provided for before a proper return on investment shall have been secured.

If you add to the operating expenses and taxes, as shown by the Postmaster General, $2,676,503.75, for November, 1909, 44.45 per cent, or $1,189,705.92, it will give a total of $3,866,209.67, or $258,436.54 (equivalent to $3,101,238.48 per annum), more than document No. 105 shows was paid for mail service in November, 1909, and consequently, even on the basis of the unfairly low estimates of operating costs made by the Postmaster General, an allowance for the omitted expenses, which must be met would make the railway mail pay higher than it is at present.

Fifth. In confining his investigation to the month of November, the Postmaster General selected a month that is not a fair average or typical portion of the year but, in connection with the methods he employed, greatly reduced the apparent cost of the passenger train services, resulting from his calculations.

There can be no contradiction of the assertion that, if in every other respect the basis of railway pay proposed by the Postmaster General were reasonable and fair, the validity of his calculations would depend upon whether the period selected for his investigation could be considered fairly typical of an entire year. All his computations are based upon data obtained by him which represent only the single month of November in the year 1909. If that month was a reasonably typical month, particularly with respect to passenger train traffic and expenses calculations based upon these data would be entitled to all the weight which the methods of computation employed would warrant. But, however accurate these calculations and methods, the results could rise no higher than their source, and the most perfect system of computation most accurately applied would be wholly vitiated if the basic data can not be regarded as fairly typical and representative. If the month of November varies from the whole period of the year from which it was selected, and particularly of the differences are such as unfairly to diminish the apparent cost of the passenger train services, results based only on date for that month must be inconclusive and worthless. Now, this is precisely the case.

It may fairly be questioned whether the year contains any single month that could be properly denominated an average, typical, or representative month, but if there is such a month it is certainly not the month of November. The Interstate Commerce Commission has published the receipts and expenditures of the railways of the United States for each month of the fiscal year that ended with June 30, 1910, and includes the month of November, 1909, and these data conclusively prove that that month was very far from a representative one and that the seasonal and other variations to which it was subject were such as to render the results of any calculations based upon it exceedingly unfair to the passenger train services.[1] The figures in the second and fifth columns of the table on page 45 are from that bulletin, the figures in the other columns have been derived from them.

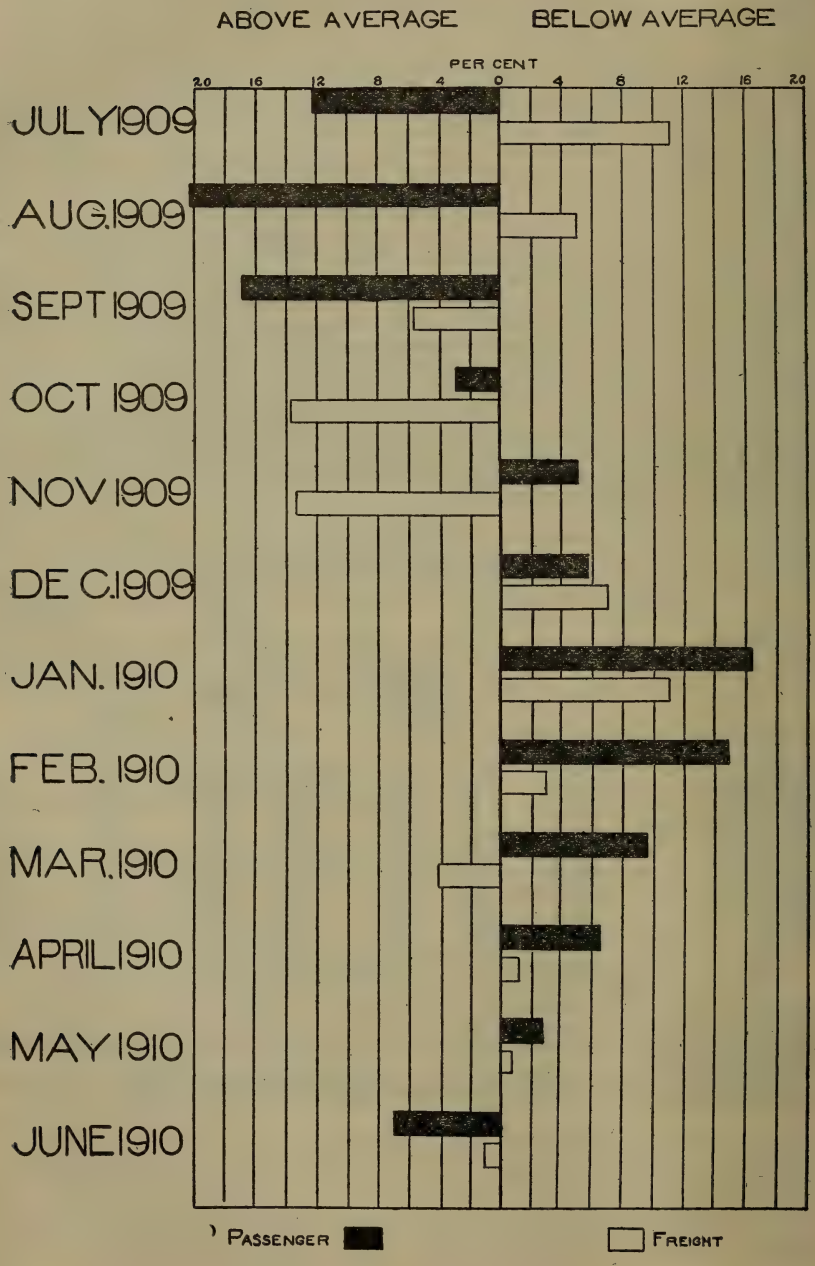
| Month. | Gross operating receipts per mile of line. | | | | | | Per cent of passenger receipts to receipts from both passengers and freight. |
|---|---|---|---|---|---|---|---|
| | Passengers. | | | Freight. | | | |
| | Total. | Daily average. | Per cent of daily average for year. | Total. | Daily average. | Per cent of daily average for year. | |
| 1909, July | $251.66 | $8.12 | 112.15 | $608.67 | $19.63 | 88.46 | 29.25 |
| 1909, August | 269.70 | 8.70 | 120.17 | 653.97 | 21.10 | 95.00 | 29.20 |
| 1909, September | 254.95 | 8.50 | 117.40 | 704.51 | 23.48 | 105.81 | 26.57 |
| 1909, October | 231.80 | 7.48 | 103.31 | 781.91 | 25.22 | 113.65 | 22.87 |
| 1909, November | 206.69 | 6.89 | 95.17 | 752.69 | 25.09 | 113.07 | 21.54 |
| 1909, December | 211.55 | 6.82 | 94.20 | 640.59 | 20.66 | 93.11 | 24.83 |
| 1910, January | 187.42 | 6.05 | 83.56 | 618.06 | 19.94 | 89.86 | 23.27 |
| 1910, February | 171.92 | 6.14 | 84.81 | 603.76 | 21.56 | 97.16 | 22.16 |
| 1910, March | 202.61 | 6.54 | 90.33 | 716.76 | 23.12 | 104.19 | 22.04 |
| 1910, April | 203.84 | 6.79 | 93.78 | 658.93 | 21.96 | 98.26 | 23.63 |
| 1910, May | 218.47 | 7.05 | 97.38 | 682.96 | 22.03 | 99.28 | 24.24 |
| 1910, June | 233.25 | 7.78 | 107.46 | 674.97 | 22.50 | 101.40 | 25.68 |
| Total | [2] 2,643.86 | 7.24 | 100.00 | [2] 8,097.78 | 22.19 | 100.00 | 24.61 |

[1] Interstate Commerce Commission, Bureau of Statistics and Accounts, Bulletin of Revenues and Expenses of Steam Roads in the United States, compiled from monthly reports covering the years ending June 30, 1910 and 1909.

[2] The totals stated differ very slightly from those stated by the commission, as they are the exact sums of the averages given, while the commission's totals include also small unclassified receipts.

# GROSS RECEIPTS PER MILE PER DAY

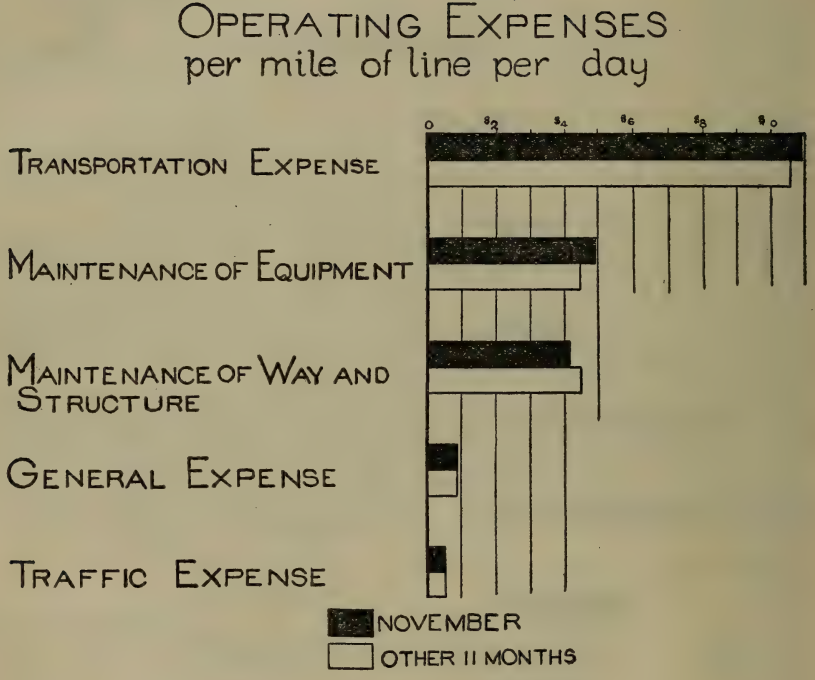
## PER CENT DEVIATION FROM AVERAGE



The most accurate comparisons permitted by the data on page 45 are those between the per diem averages in the third and sixth columns, as such comparisons are not affected by the varying numbers of days in the different months. These comparisons show that the average gross receipts per mile of line from the passenger service during the month of November, 1909, amounted to but 95.17 per cent of the daily average for the year, while the average gross receipts from freight service amounted to 113.07 per cent of the daily average for the year. In the whole year there were but four months that showed smaller gross receipts from passengers than the month selected by the Postmaster General, while there was but one month in the entire year which showed as high receipts from freight service. More conclusive still is the fact, shown by the last column in the table, that of all the months in the year the percentage of gross passenger receipts to receipts from both passengers and freight was absolutely the lowest in November. In that month the passenger service earned, in gross, but $21.54 in each $100 of receipts from both the passenger and freight services, while the average for the year was $24.61, and in one month it was as high as $29.25. It is perfectly obvious that if any direct charges to the different services are warranted the amounts of the accounts so chargeable must fluctuate, if not in exact proportion to the respective volume of traffic in the passenger and freight services, at least with some relation to such volume. And it is undeniable that the fluctuations in average gross receipts per mile of line roughly measure fluctuations in volume of traffic. Hence it is plain that in selecting the month of November, and making it the exclusive basis of all his calculations and estimates, the Postmaster General shows, unwittingly, it is believed, the one month in the year that, if the balance of his case were sound, would appear to sustain the largest possible reduction in railway mail pay and that is actually the most unfavorable to the railways. He assigned directly $34.40 in each $100 of operating expenses, and every apportionment so made to the passenger-train services was diminished by the selection of a month in which freight movement is much heavier and passenger movement much lower than the average for an entire year, he assigned $36 in each $100 of operating expenses in the proportions of the accounts he had charged directly and thus extended the error to these unlocated or joint expenses; he assigned $13.60 in each $100 in proportion to locomotive mileage and $9.80 in each $100 in proportion to revenue train mileage, and as these apportionments were made on the basis of a month in which passenger traffic was very light and freight traffic very heavy these apportionments also were unduly to the disadvantage of the passenger-train services. And these apportionments account for 93.80 per cent, or $93.80 in each $100 of all operating expenses.

In the wide range of climatic conditions in the United States it happens that the month of November is, throughout a large section and as to many railways, a month in which substantially winter conditions prevail and characterized by much more than the average difficulty of operation. Under such conditions it becomes necessary to suspend certain repairs, renewals, and replacements, which entail expenditures chargeable to the operating accounts while the cost of moving trains is enhanced. The results of these facts are shown by the table on page 48.

| Class. | Fiscal year 1910. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average per mile of line. | | | Average per mile of line per day. | | | Per cent of total. | | |
| | November. | Other eleven months. | Total. | November. | Other eleven months. | Total. | November. | Other eleven months. | Total. |
| Maintenance of way and structures | $124.04 | $1,438.84 | $1,562.88 | $4.13 | $4.30 | $4.28 | 19.31 | 20.36 | 20.27 |
| Maintenance of equipment | 148.48 | 1,597.56 | 1,746.00 | 4.95 | 4.77 | 4.78 | 23.11 | 22.60 | 22.64 |
| Traffic expenses | 18.85 | 201.76 | 220.61 | .63 | .60 | .61 | 2.94 | 2.85 | 2.86 |
| Transportation expenses | 327.78 | 3,565.93 | 3,893.71 | 10.93 | 10.64 | 10.67 | 51.04 | 50.45 | 50.50 |
| General expenses | 23.10 | 264.61 | 287.71 | .77 | .79 | .79 | 3.60 | 3.74 | 3.73 |
| Total | 642.21 | 7,068.70 | 7,710.91 | 21.41 | 21.10 | 21.13 | 100.00 | 100.00 | 100.00 |


OPERATING EXPENSES
per mile of line per day
TRANSPORTATION EXPENSE
MAINTENANCE OF EQUIPMENT
MAINTENANCE OF WAY AND STRUCTURE
GENERAL EXPENSE
TRAFFIC EXPENSE
0
$2
$4
$6
$8
$10
NOVEMBER
OTHER 11 MONTHS

The figures in the table on page 48 fully corroborate the conclusions inevitably to be drawn from the one next preceding. Thus it appears that while the average daily operating expenses of November are, in the aggregate, a little higher than those of the balance of the year, their distribution among the various accounts is very different from the average distribution. The maintenance of way and structures expenses, which do not fluctuate with traffic fluctuations, averaged but $4.13 per mile of line per day during the period selected by the Postmaster General, while during the balance of the year these expenses averaged $4.30 per mile per day. But expenses for other purposes averaged $17.28 per mile per day during the former period and only $16.80 during the latter. These differences result from the fact that the severe weather conditions of November render necessary the suspension of much of the ordinary maintenance work upon roadbed and structures and, at the same time, tend to enhance the operating expenses that do fluctuate with the volume of traffic. Consequently, as all the traffic fluctuations that find expression in November tend to diminish the total expense apportioned, by the Postmaster General's method, to the passenger-train services, the fact that the expenses that do vary with traffic are relatively heavier in the month he selected had a further and strong tendency to reduce the apparent cost of the passenger-train services resulting from his computations. It follows, as surely as the night follows the day, that, if every other feature of Document No. 105 were utterly beyond criticism, the fact that it rests wholly upon the single month of November would render its results illusory, misleading, and grossly unjust to the railways.

## III. Recent Reductions in Railway-Mail Pay.

### A. PRELIMINARY SURVEY AND COMPARISONS.

No consideration of the reduction proposed in Document No. 105 would be adequate which did not make appropriate allowance for the fact that during the period of advancing railway expenses subsequent to June 30, 1907, the mail revenues of the railways have been subjected to repeated and drastic decreases brought about by legislative action and by administrative orders.

The volume of the American mails, the revenue of the American postal service, and its demands upon the railways for services and facilities are constantly increasing. The costs of supplying railway transportation are also increasing. Capital costs (interest) have increased through the higher standards of service demanded and the higher value of real estate required for extended and necessary terminal plants, labor costs have grown by means of repeated advances in the rates of wages paid to employees in every grade, other operating expenses have increased as prices of materials and supplies have mounted upward, taxes have increased with the growing exactions of State and local governments which have been rapidly augmenting their expenditures and forcing an increasing share of the total burden upon railway carriers and by the creation of an entirely new Federal corporation tax. But the aggregate railway-mail pay has remained substantially stationary for several years and has not at any recent date advanced in proportion to the increased facilities and services required, the increased profit on the use of these facilities and services made by the Post Office Department or the increased expense to the railways. The pay per unit of service rendered has been greatly reduced. The table on page 52 shows some of these facts.

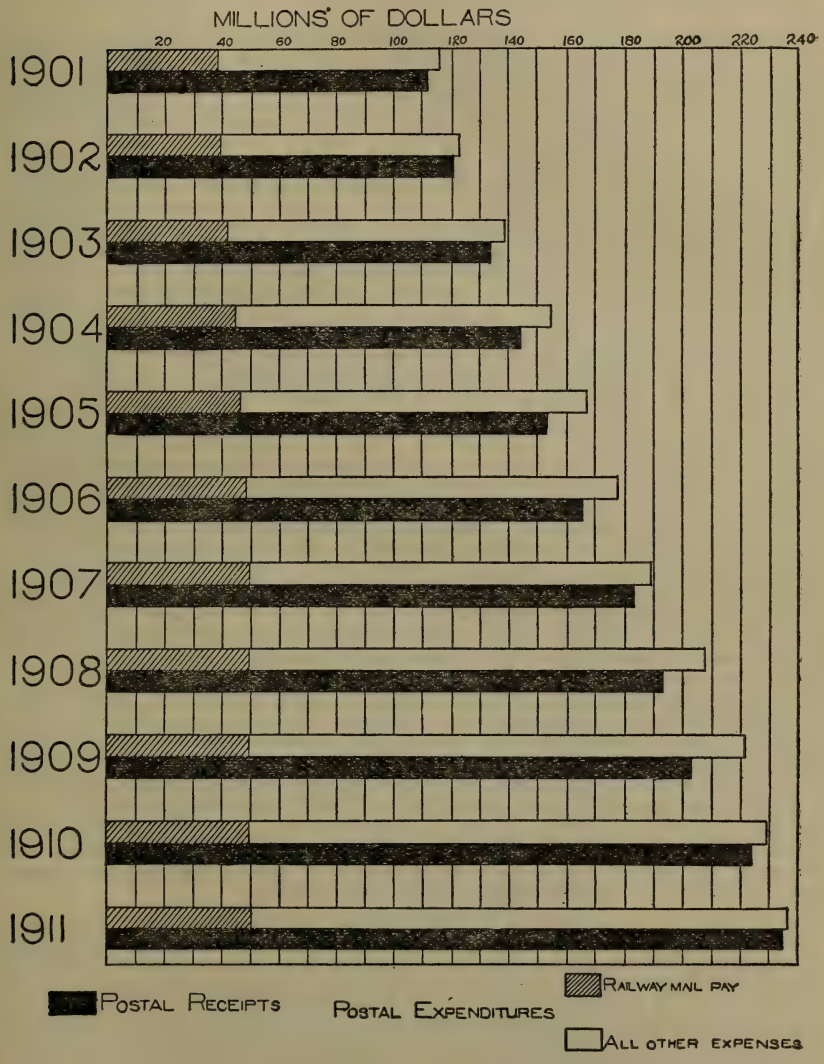
| Fiscal year. | Postal receipts.[1] | Postal expenditures. | | | | | |
|---|---|---|---|---|---|---|---|
| | | All purposes.[2] | | Railway mail pay.[3] | | Other expenses.[2] | |
| | | Amount. | Per $100 of receipts. | Amount. | Per $100 of receipts. | Amount. | Per $100 of receipts. |
| 1901 | $111,631,193 | $115,554,921 | $103.51 | $38,158,969 | $34.18 | $77,395,952 | $69.33 |
| 1902 | 121,848,047 | 124,785,697 | 102.41 | 39,518,817 | 32.43 | 85,266,880 | 69.98 |
| 1903 | 134,224,443 | 138,784,487 | 103.40 | 41,377,184 | 30.83 | 97,407,303 | 72.57 |
| 1904 | 143,582,624 | 152,362,116 | 106.11 | 43,971,848 | 30.62 | 108,390,268 | 75.49 |
| 1905 | 152,826,585 | 167,399,169 | 109.54 | 45,040,564 | 29.47 | 122,358,605 | 80.07 |
| 1906 | 167,932,782 | 178,449,778 | 106.26 | 46,953,439 | 27.96 | 131,496,339 | 78.30 |
| 1907 | 183,585,005 | 190,238,288 | 103.62 | 49,758,071 | 27.10 | 140,480,217 | 76.52 |
| 1908 | 191,478,663 | 208,351,886 | 108.81 | 48,458,255 | 25.31 | 159,893,631 | 83.50 |
| 1909 | 203,562,383 | 221,004,102 | 108.57 | 49,869,375 | 24.50 | 171,134,727 | 84.07 |
| 1910 | 224,128,657 | 229,977,224 | 102.61 | 49,405,311 | 22.04 | 180,571,913 | 80.57 |
| 1911 | 237,879,823 | 238,507,669 | 100.26 | 50,583,123 | 21.26 | 187,924,546 | 79.00 |

[1] Postmaster General's Annual Report for 1911 (H. Doc. No. 559, 62d Cong., p. 47).

[2] The amounts given are those reported by the Postmaster General (Annual Report for 1911, H. Doc. 559, 62d Cong., pp. 48-49) except that for the year 1911 the total expenditures are stated as shown by the later and corrected figures reported by the Committee on the Post Office and Post Roads of the House of Representatives (H. Rept. No. 388, 62d Cong, 2d sess., p. 2), but they are too low. The report of the Commission on Second Class Mail Matter, consisting of Hon. Charles E. Hughes, Associate Justice of the Supreme Court of the United States; Dr. A. Lawrence Lowell, President of Harvard University; and Mr. Harry A. Wheeler, President of the Association of Commerce of Chicago (published in the document already cited, which also contains the Postmaster General's Annual Report for 1911); shows that the accounting methods of the Post Office Department are misleading in that they exclude actual expenses of the postal service that are considerable in the aggregate. Figures given in the commission's report (p. 77) show that for the fiscal year 1908 the expenses (given in this table as $208,351,886) do not include the following: "Amount expended under legislative act for the Post Office Department, $1,622,564.24; amount appropriated under legislative act for the office of the Auditor of the Post Office Department, $824,870; amount expended under legislative act for the office of the Assistant Attorney General for the Post Office Department, $5,000; transportation accounts certified to the Secretary of the Treasury for credit of aided Pacific roads not charged to postal revenues, $761,099.69"; total, $3,203,533.93. The item on account of bond-aided roads has ceased to exist (Postmaster General's Annual Report for 1911, p. 49), but the other omissions still impair the accuracy of of the accounts. Assuming that these other items were the same in 1911 as in 1908, it follows that the actual cost of the postal service in the later year was $240,960,103 instead of $238,507,669, and that instead of a surplus of $219,118.12 in postal receipts over expenditures (Annual Report of the Postmaster General for 1911, p. 15) there was actually a deficit of $3,080,280. The statements of cost of the postal service supplied by the Postmaster General are also defective, in that they contain no allowance for rental of buildings owned by the Federal Government and occupied by the department, as post offices or otherwise, or for interest or depreciation on any capital or property owned and utilized in the postal service. See also House Report No. 388, Sixty-second Congress, second session, being a report of the Committee on the Post Office and Post Roads of the House of Representatives, which shows that items chargeable to the fiscal year 1911, but audited after its close, more than offset the small surplus claimed by the Postmaster General and leave an actual deficit of $627,845.94 for that year—this, exclusive of the omitted items to which attention was directed by the Commission on Second Class Mail Matter.

[3] These figures represent cost of railway transportation but are approximately 1 per cent too high. They are not changed, as the exact data necessary are not available. See footnote on page 5 (page 64 of these Hearings).

## Postal Receipts and Expenditures



Reduced to percentages, the figures in the table on page 52 show the following increases for the last 10, 5, and 2 years, respectively:

| Item. | Ten years, 1901 to 1911. | Five years, 1906 to 1911. | Two years, 1909 to 1911. |
|---|---|---|---|
| Postal receipts, per cent increase | 113.09 | 41.65 | 16.86 |
| Postal expenditures: | | | |
| All purposes, per cent increase | 106.40 | 33.66 | 7.92 |
| Railway mail pay, per cent increase | 32.56 | 7.73 | 1.43 |
| All other expenditures, per cent increase | 142.81 | 42.91 | 9.81 |

These percentages disclose what has happened too plainly to admit of much comment. It appears that for either the 10 or 5 year periods just closed the postal expenses exclusive of railway mail pay have grown much more rapidly than postal business, as fairly measured by receipts, while railway mail pay increased during the longer period less than one-fourth as fast as other expenses, and during the 5-year period less than one-fifth as fast. The 2-year period covered by the percentages in the last column covers the administration of the present Postmaster General, and although during that period the enormous increase in postal business (amounting to $34,317,440 in revenue, or nearly one-third as much as the entire postal receipts of the year 1901) has outstripped the growth of expenditures and the real postal deficit has been greatly reduced, expenses other than for railway facilities have increased 9.81 per cent, while railway mail pay has grown but 1.43 per cent, or about one-seventh as rapidly as other expenditures and about one-twelfth as rapidly as postal receipts.[1] The averages in the table under discussion are even more significant than the aggregates. They show that between 1901 and 1911 the cost of the postal service, reported by the Postmaster General, per $100 of receipts therefrom, declined from $103.51 to $100.26, while the cost for railway mail pay declined from $34.18 to $21.26, and that for other purposes increased from $69.33 to $79. That is to say, the net decrease of $3.25 per $100 of revenue is the difference between a saving in railway mail pay of $12.92 and an increase in other expenses of $9.67. In other words, not only is the whole reduction in postal expenses attributable to the reductions in railway mail pay, but an additional reduction in this item has been absorbed by increases in other items.

Effective illustrations of the relation of railway mail pay to other postal expenses are found in the table on page 55, which shows the annual increment of revenue for each year of the last decade and the cost per $100 at which it has been earned, the cost of railway mail pay and the expenses for other purposes being stated separately.

The table on page 55 shows that while the additional cost of earning the portion of total postal revenue added since 1901 has been, for railway facilities, $9.84 per $100 of receipts, the cost for other purposes has been $87.55 per $100 of added receipts. Thus the revenue added since 1901, which exceeds the entire revenue for that year, has cost, for railway mail pay, but 28.79 per cent of the average of 1901; it has cost, for other purposes, 126.28 per cent of the average at the beginning of the period. These figures give additional emphasis to the conclusion that much more than the entire decrease in postal expenses has been taken from the revenues of the railways which transport the mails. The fact that the yearly averages show that each yearly increment of postal business has been taken up at a cost, for railway facilities, lower than the average cost therefor in 1901, while in 6 of the 10 years the cost for other purposes has exceeded the average of 1901, in one year being more than three and one-half times that average, is most significant. These data again demonstrate the truth of the assertion that for a decade at least reductions in railway mail pay have constituted the solitary source of savings in postal expenditures.

[1] It may, of course, be suggested that the fact that nearly the whole recent saving in expense appears to be in railway mail pay is attributable to the increase in the cost of rural free delivery, but this explanation would be inaccurate. The cost of rural free delivery reported by the Postmaster General for the fiscal year 1909 was $35,586,780; for 1910, $37,073,733; and for 1911, $37,145,757. These figures give a percentage increase for the two years of the present administration of 4.38, which is much lower than the percentage increase of all expenses other than railway mail pay. Excluding the reported cost of rural free delivery and the payments for railway facilities, the increase in all other postal expenditures was from $135,547,947 in 1909 to $150,778,789 in 1911, or 11.24 per cent. Expenditures for rural free delivery are not, however, wholly for an additional service, as might superficially be conceived. In part they represent the substitution of a new method of delivery for delivery through the post offices, which has permitted a decrease in the number of post offices, and therefore the expenses which would have been necessary to maintain the abandoned offices should be deducted from the apparent cost of rural free delivery before calculating its real cost. At the close of the fiscal year 1901 there were 76,945 post offices in the United States; at the corresponding date in 1906 there were 65,600; in 1909, 60,144; and in 1911, 59,237. The number of fourth-class post offices in 1901 was 72,479; in 1906, 59,690; in 1909, 52,944; and in 1911, 51,260. From 1901 to 1911 the reduction in the number of post offices of all classes amounted to 23.01 per cent and that in fourth-class post offices to 29.28 per cent.

| Period. | Postal receipts.[1] | Postal expenditures.[1] | | | | | |
|---|---|---|---|---|---|---|---|
| | | All purposes. | | Railway mail pay.[6] | | Other expenses. | |
| | | Amount. | Per $100 of receipts. | Amount. | Per $100 of receipts. | Amount. | Per $100 of receipts. |
| During year ended June 30, 1901 | $111,631,193 | $115,554,921 | $103.51 | $38,158,969 | $34.18 | $77,395,952 | $69.33 |
| Increase | | | | | | | |
| July 1, 1901, to June 30, 1902 | 10,216,854 | 9,230,776 | 90.35 | 1,359,848 | 13.31 | 7,870,928 | 77.04 |
| July 1, 1902, to June 30, 1903 | 12,376,396 | 13,998,790 | 113.11 | 1,858,367 | 15.02 | 12,140,423 | 98.09 |
| July 1, 1903, to June 30, 1904 | 9,358,181 | 13,577,629 | 145.09 | 2,594,664 | 27.73 | 10,982,965 | 117.36 |
| July 1, 1904, to June 30, 1905 | 9,243,961 | 15,037,053 | 162.67 | 1,068,716 | 11.56 | 13,968,337 | 151.11 |
| July 1, 1905, to June 30, 1906 | 15,106,197 | 11,050,609 | 73.15 | 1,912,875 | 12.66 | 9,137,734 | 60.49 |
| July 1, 1906, to June 30, 1907 | 15,652,223 | 11,788,510 | 75.32 | 2,804,632 | 17.92 | 8,933,878 | 57.40 |
| July 1, 1907, to June 30, 1908 | 7,893,658 | 18,113,598 | 229.47 | [2] | [4] | 19,413,414 | 245.94 |
| July 1, 1908, to June 30, 1909 | 12,083,720 | 12,652,216 | 104.70 | 1,411,120 | 11.68 | 11,241,096 | 93.02 |
| July 1, 1909, to June 30, 1910 | 20,566,274 | 8,973,122 | 43.63 | [3] | [5] | 9,437,186 | 45.89 |
| July 1, 1910, to June 30, 1911 | 13,751,166 | 8,530,445 | 62.03 | 1,177,812 | 8.56 | 7,352,633 | 53.47 |
| Total increase, July 1, 1901, to June 30, 1911 | 126,248,630 | 122,952,748 | 97.39 | 12,424,154 | 9.84 | 110,528,594 | 87.55 |
| During year ended June 30, 1911 | 237,879,823 | 238,507,669 | 100.26 | 50,583,123 | 21.26 | 187,924,546 | 79.00 |

[1] As reported by the Postmaster General and the Committee on the Post Offices and Post Roads of the House of Representatives and, therefore, omitting those expenses referred to in the second footnote on page 52 (page 90 of these Hearings).

[2] Decrease of $1,299,816.

[3] Decrease of $464,064.

[4] Less than nothing; the decrease amounted to $16.47 per $100 of increased revenue.

[5] Less than nothing; the decrease amounted to $2.26 per $100 of increased revenue.

[6] Subject to the corrections stated in footnotes on page 5 and page 52 (pages 64 and 90 of these Hearings).

Looking at the problem from the point of view of railways revenues it is not surprising, in view of the foregoing, to find that the transportation of the mails constitutes the single exception to the rule that their gross receipts from different elements of traffic have increased, albeit not in full proportion to the augmented volume of work they have done, at least with some rapidity. Comparing the years 1909 and 1911, and omitting express receipts for which official figures are not yet available, the figures are as follows:

| Railway receipts from— | 1909 | 1911 | Increase (per cent). |
|---|---|---|---|
| Freight[1] | $1,677,614,678 | $1,929,335,457 | 15.00 |
| Passenger[1] | 563,609,342 | 658,772,786 | 16.88 |
| Mail[2] | 49,869,375 | 50,583,123 | 1.43 |

[1] Data compiled by Interstate Commerce Commission.
[2] As reported by the Postmaster General.

During the two years covered by the foregoing the receipts of the Post Office Department increased, as already shown, 16.86 per cent and the operating expenses of the railways of the United States increased from $1,599,443,410 to $1,935,511,581, or 21.01 per cent.

The successive reports of the statistician to the Interstate Commerce Commission show that the receipts of interstate railways from freight, passengers, express, and mail, respectively, have been during each year from 1901 to 1911, inclusive, as shown on page 57:

| Year. | Population.[1] | Freight. | | Passengers. | | Express. | | Mail. | |
|---|---|---|---|---|---|---|---|---|---|
| | | Amount. | Per capita. | Amount. | Per capita. | Amount. | Per capita. | Amount.[2] | Per capita. |
| 1901 | 77,612,569 | $1,118,543,014 | $14.41 | $351,356,265 | $4.53 | $31,121,613 | $0.40 | $38,453,602 | $0.50 |
| 1902 | 79,230,563 | 1,207,228,845 | 15.24 | 392,963,248 | 4.96 | 34,253,459 | .43 | 39,835,844 | .50 |
| 1903 | 80,848,557 | 1,338,020,026 | 16.55 | 421,704,592 | 5.22 | 38,331,964 | .47 | 41,709,396 | .52 |
| 1904 | 82,466,551 | 1,379,002,693 | 16.72 | 444,326,991 | 5.39 | 41,875,636 | .51 | 44,499,732 | .54 |
| 1905 | 84,084,545 | 1,450,772,838 | 17.25 | 472,694,732 | 5.62 | 45,149,155 | .54 | 45,426,125 | .54 |
| 1906 | 85,702,539 | 1,640,386,655 | 19.14 | 510,032,583 | 5.95 | 51,010,930 | .60 | 47,371,453 | .55 |
| 1907 | 87,320,533 | 1,823,651,998 | 20.88 | 564,606,343 | 6.47 | 57,332,931 | .66 | 50,378,964 | .58 |
| 1908[3] | 88,938,527 | 1,655,419,108 | 18.61 | 566,832,746 | 6.37 | 58,692,091 | .66 | 48,517,563 | .55 |
| 1909[3] | 90,556,521 | 1,677,614,678 | 18.53 | 563,609,342 | 6.22 | 59,647,022 | .66 | 49,380,783 | .55 |
| 1910[3] | 92,174,515 | 1,925,553,036 | 20.89 | 628,992,473 | 6.82 | 67,190,922 | .73 | 48,913,888 | .53 |
| 1911[3] | 93,792,509 | 1,929,335,457 | 20.57 | 658,772,786 | 7.02 | | | | |

[1] Intercensal years estimated by the Census Office.
[2] The differences between these figures and those reported by the Postmaster general are due to the fact that the commission's reports include interstate railways only.
[3] Switching and terminal companies not included.

That the relatively slow expansion of mail receipts shown by these tables is the result of reductions in the rates of pay and not of a slower rate of growth of mail business is apparent from the following:

| | 1901 | 1911 | Increase (per cent). |
|---|---|---|---|
| Freight, tons carried 1 mile: | | | |
| Number[1] | 147,077,136,040 | 255,016,910,451 | 73.39 |
| Per capita of population | 1,895 | 2,767 | 46.02 |
| Passengers carried 1 mile: | | | |
| Number[1] | 17,353,588,444 | 32,338,496,329 | 86.35 |
| Per capita of population | 224 | 351 | 56.70 |
| Mail: | | | |
| Pieces handled | [2] 7,424,390,329 | [3] 16,900,552,138 | 127.64 |
| Per capita of population | 96 | 161 | 67.71 |

[1] Interstate Commerce Commission, Twenty-third Annual (1910) Report on the Statistics of Railways, p. 58.
[2] Annual Report of the Postmaster General for the fiscal year 1910, p. 47.
[3] Statistics published by the Third Assistant Postmaster General.

Figures showing the volume of express business in 1901 and 1911 are not available, but as the amounts paid to the railways for the facilities with which they furnish the express companies are proportioned to the receipts of the latter it may be concluded that the growth in the railways' revenues from express at least roughly measures the growth of this traffic. The last foregoing table shows that of the three services included, the business of the mails has grown with far the greatest rapidity, yet by the other tables it has been shown that the railways' revenues from mail have increased most slowly.

Various elements have combined to produce this decline in the mail pay of the railways, but in this statement reference will be made only to the more important reductions that have taken place within the past five years. These are:

First. The natural operation of the law of 1873 by which the basis of mail pay is fixed.

Second. The action of the Post Office Department in stimulating competition for mail where its power to divert part of the movement from any route or routes could be exercised for that purpose.

Third. The statutory reductions provided for in the appropriation act of March 2, 1907.

Fourth. The reduction accomplished by including Sundays in the divisor used to establish the average daily weight of the mails, in accordance with the executive order known as Postmaster General's Order No. 412 of June 7, 1907.

Fifth. The withdrawal of all payments for special facilities, and,

Sixth. The withdrawal from the mails of stamped envelopes, postal cards, mail bags, and postal equipment.

### (b) REDUCTIONS DUE TO NATURAL OPERATION OF THE LAW OF 1873.

Pay for the services and facilities supplied by railways is now fixed by the law of March 3, 1873 (17 Stat., 558), subject to the deductions provided for by the acts of July 12, 1876 (19 Stat., 78); June 17, 1878 (20 Stat., 140); March 2, 1907 (34 Stat., 1212); and May 12, 1910 (36 Stat., 362). The act of 1876 effected a reduction to 90 per cent of the sums that would have been paid under the unmodified statute of 1873, and the act of 1878 made a further reduction of 5 per cent. The reduction effected by the act of 1907, as modified by that of 1910, will be discussed in a subsequent paragraph. The constant reduction due to the normal operation of the law from 1873 to 1898 was shown as one of the results of the investigations undertaken for the Joint Postal Commission by Prof. Henry C. Adams. The figures show in ton-miles rate in the following table are from his report.[1]

[1] Fifty-sixth Cong., Sen. Doc. No. 89, pt. 2, p. 253.

| Year. | Railway mail pay per ton per mile. | | Year. | Railway mail pay per ton per mile. | | Year. | Railway mail pay per ton per mile. | |
|---|---|---|---|---|---|---|---|---|
| | In cents. | Per cent of rate in 1873. | | In cents. | Per cent of rate in 1873. | | In cents. | Per cent of rate in 1873. |
| 1873 | 26,420 | 100 | 1882 | 17,886 | 68 | 1891 | 14,787 | 56 |
| 1874 | 23,732 | 90 | 1883 | 17,828 | 67 | 1892 | 14,453 | 55 |
| 1875 | 23,866 | 90 | 1884 | 17,670 | 67 | 1893 | 13,973 | 53 |
| 1876 | 23,979 | 91 | 1885 | 17,182 | 65 | 1894 | 13,323 | 50 |
| 1877 | 23,960 | 91 | 1886 | 16,487 | 62 | 1895 | 13,109 | 50 |
| 1878 | 23,167 | 88 | 1887 | 16,567 | 63 | 1896 | 12,964 | 49 |
| 1879 | 21,522 | 81 | 1888 | 16,268 | 62 | 1897 | 12,665 | 48 |
| 1880 | 20,596 | 78 | 1889 | 15,656 | 59 | 1898 | 12,567 | 48 |
| 1881 | 18,969 | 72 | 1890 | 14,968 | 57 | | | |

Considerably less than one-third of the reduction of 52 per cent shown in the foregoing table is to be attributed to the statutory changes of 1876 and 1878, the entire balance is attributable to the natural operation of the law. From 1879 to 1898, 19 years, during which there were no changes in the law, the average rate per ton per mile declined from 21.522 cents to 12.567 cents or 41.61 per cent. This diminishing effect of the law of 1873 upon the rates of railway mail pay is due to the fact that it fixes the rates on a sliding scale by which they automatically decrease as the volume of the mail increases and so, on every route, constantly approach toward the statutory minimum. The Post Office Department has unfortunately failed to continue the tabulations showing the rates paid per ton per mile for railway mail facilities, begun by the Joint Postal Commission, and it may still be said, as was said by Prof. Adams in 1900:

"The Post Office Department has been at considerable expense and trouble to determine the aggregate tonnage of mail matter, but has never thought it of advantage to compute the ton mileage of mail carried. This is a little strange, because not only is ton mileage the only true measure of traffic, but it is the unit of traffic made the basis of compensation under the law of 1873." (Prof. Henry C. Adams, Report to the Joint Postal Commission, 56th Cong., S. Doc. No. 89, pt. 2, p. 208.)

Although statistics measuring the reduction since 1898 due to this automatic action of the law fixing railway mail pay do not exist, there can be no intelligent denial of the fact that the law still operates and will continue, as long as it stands unrepealed, to operate in this way. Had there been no other changes its operation would undoubtedly have produced a material reduction in the average rate of payment per ton per mile from 1898 to the present time and such a reduction has actually taken place and is a part of the notable decline already evidenced herein.

### (c) EFFECT OF COMPETITION STIMULATED BY POST OFFICE DEPARTMENT.

Although the rates of pay fixed by the present law are in many instances far below the level of just compensation and there are few, if any, separate routes on which they are fully remunerative, the method of calculation provided in the statute so operates that wherever a railway mail route exists and carries any mail it becomes desirable for the railway operating it, from the point of view of its mail revenue, to secure for that route the greatest possible volume of mail. During recent years the Post Office Department has seized upon the potential advantage springing from this condition and has pressed it vigorously and effectively in its negotiations with the railways. The existence and nature of this advantage were concisely stated by Postmaster General von Meyer in his annual report for the year 1907, as follows:

"Where through mails are concerned, the department often has the choice of competing routes. A competing route may be shorter than another, it may be more economical by reason of being a land-grant route, or it may perform important terminal or transfer functions which must otherwise be provided for by the department. * * * Where the department has the opportunity of dispatching mails by competing routes, one of which is shorter or otherwise less expensive than the other, it appears to be but just to the Government, when such mails are allowed to remain with the longer or more expensive route, to reduce the compensation paid therefor by the amount which the Government would save if the mails in question were dispatched by the shorter or less expensive route.

"Accordingly the policy has been inaugurated of effecting such a saving in cases of this character arising at the beginning of a contract term, and has been applied in some prominent instances in the readjustments in the third contract section." (Postmaster General's Annual Report for 1907, p. 24.)

This policy, to which no exception is here taken, has been continued and the extent in which it has been effective, up to the present time, in reducing railway mail pay may be traced, at least in part, in the successive annual reports of the department. The annual reports of the Second Assistant Postmaster General for 1908, 1909, 1910, and 1911 contain figures which show that the reduction in annual railway mail pay accomplished by this means amounts, at present, to not less than $174,544.51.[1] It is not probable that this policy of the department will be abandoned or that its possibilities have been wholly exhausted.

### (d) REDUCTIONS MADE BY THE ACT OF MARCH 2, 1907.

The postal appropriation act of March 2, 1907, provided for a reduction, beginning with July 1, 1907, of 5 per cent in the pay for all railway routes on which the average daily weight ascertained at the weighing period was over 5,000 and not to exceed 48,000 pounds and on the excess over 5,000 pounds up to 48,000 pounds on routes having more than 48,000 pounds average daily weight. For the excess over 48,000 pounds the act provided that land-grant roads should be paid at the rate of $17.10 per mile for each 2,000 pounds of such excess and other roads at the rate of $19.24 per mile. By a subsequent act (approved May 12, 1910, 36 Stat. 362), the rate of $17.10 for land-grant roads, was further reduced, the reduction to take effect on July 1, 1910, to $15.39 for each 2,000 pounds in excess of 48,000 pounds. The rates thus specified are 90 per cent of those previously in force and hence the reduction on this portion of the weight carried on the heavy routes was at the rate of 10 per cent. The act of March 2, 1907, also reduced the rates of payment per mile per annum for postal cars 45 feet long or longer (cars or compartments less than 40 feet long are not paid for) as follows:

| Length of car. | Former rate. | Reduced rate. | Reduction (per cent). |
|---|---|---|---|
| 45 feet | $30.00 | $27.50 | 8.33 |
| 50 feet | 40.00 | 32.50 | 18.75 |
| 55 feet or longer | 50.00 | 40.00 | 20.00 |

The Post Office Department has stated the annual amount of these reductions, not including the change made by the amendment of May 12, 1910, affecting the land-grant routes, and on the basis of the weighings of the years 1904–1907, inclusive, as follows:

[Annual Report of the Second Assistant Postmaster General for 1907, p. 140; same for 1908, p. 154.]

| Weighing section. | Reduction in pay computed on weight of mails. | Reduction in pay for postal cars. | Total reduction. |
|---|---|---|---|
| First | $547,909.01 | $239,670.49 | $787,579.50 |
| Second | 70,192.45 | 85,196.86 | 155,389.31 |
| Third | 759,145.88 | 442,755.76 | 1,201,901.64 |
| Fourth | 363,247.29 | 168,350.98 | 531,598.27 |
| Total | 1,740,494.63 | 935,974.09 | 2,676,468.72 |

Doubtless the foregoing figures are smaller, as to each section and as to the aggregate, than those which would represent the effect of the same law calculated upon the weighings of the years 1908–1911 and representing the rates of payment now in force, but the Post Office Department has either failed to make these calculations

[1] For all the information on this subject that has been made public see the Annual Reports of the Second Assistant Postmaster General as follows: 1907, p. 143; 1908, p. 156; 1909, p. 141; 1910, p. 131; 1911 (pamphlet print), pp. 9–11.

or has seen fit not to make their results public. It has stated, however, that the amendment of May 12, 1910, to the act of March 2, 1907, when applied to the weighings in force on July 1, 1910, when it became effective, resulted in a further reduction of $47,190.18.[1] Adding the last-named sum to the total of $1,740,494.63, representing the reduction in transportation pay, as distinguished from pay for railway post office cars shown in the table, gives $1,787,684.81, which, in the absence of later and more complete information, and with the observation that it is unquestionably too low, must be accepted as the nearest approximation of the actual reduction in transportation pay alone effected by the act of March 2, 1907, as amended on May 12, 1910, which has the sanction of officially published figures. Railway mail pay for transportation in 1911 was fixed, subject to certain deductions, at the annual rate of $46,172,472.93. The reduction of $1,787,684.81, now under consideration, amounted, therefore, to 3.87 per cent of the annual rate of pay computed on average daily weight of the mails. The annual rate of pay for postal cars at the close of the fiscal year 1911 was $4,737,788.75 and on this basis the department's statement of the reduction in postal-car pay, $935,974.09, amounts to 19.76 per cent.

### (e) REDUCTION BY ADMINISTRATIVE ORDER.

It is well known that the reduction imposed by the act of March 2, 1907, was adopted as a substitute for the reduction which would have resulted had Congress, by its statutory enactment, required the whole number of days of the weighing period (including Sundays), instead of the number of week days or "working days" in that period, to be used as the divisor in determining the average daily weight fixing the basis of payment for each railway route. Both proposals were submitted to Congress, both were fully considered, and throughout this consideration they were regarded as alternatives; it was never by any one contemplated or suggested that more than one of them should be adopted. After full consideration Congress adopted the former alternative and rejected the latter. Notwithstanding this decision of Congress, the Postmaster General then in office, on the very day that the alternative reduction received the signature of the President—that is to say, on March 2, 1907—but not until the legislative act had passed beyond the control of Congress, entered an order, known as "Order No. 165," which read as follows:

"That when the weight of mail is taken on railroad routes the whole number of days the mails are weighed shall be used as a divisor for obtaining the average weight per day."

Three months later, another Postmaster General having come into office, the foregoing was rescinded and the following substituted:

"That when the weight of mail is taken on railroad routes the whole number of days included in the weighing period shall be used as a divisor for obtaining the average weight per day."

Explaining his action in substituting order No. 412 for order No. 165, Postmaster General Meyer said of the earlier order:

"Its enforcement according to its terms would have worked an injustice to those mail routes which afford the most efficient service; that is to say, those lines which carry the mails seven days in every week should receive less compensation for transporting the same amount of mail than would those which give a service of only six days in each week. In order to correct this defect, I issued order No. 412, dated June 7, 1907, * * *" (Postmaster General's Annual Report for 1907, p. 28.)

The difference between order No. 165 and order No. 412 is that the former would have reduced the mail pay of those routes only which had seven-day service, while the latter reduces the pay of all routes whether they have service seven days per week, or six days, or a still smaller number of days each week. It is a little difficult to comprehend how an injustice to some routes arising from a reduction in their pay could be remedied by reducing the pay on some other routes, and the difficulty is enhanced when it is realized that in many cases both seven-day and six-day (or less) routes are operated by the same railways and the pay for facilities on those of both classes goes in effect into the same pocket.

This is not the place in which to discuss the propriety, the legality, or the wisdom of the change effected in 1907 by Executive order, but attention may properly be directed at this time to the indisputable fact that had Congress been advised of the purpose of the Postmaster General to issue an order increasing the number of days taken as the divisor, the statutory reductions of March 2, 1907, would not have been adopted.

But reversing the declared purpose of Congress, the administrative order changing the divisor was issued and has been enforced, and this report is concerned with it no

[1] Annual Report of the Second Assistant Postmaster General for 1910, p. 131.

further at present than to ascertain, as nearly as may be, how much it has reduced the mail revenues of the railways. The following official estimates are from the Annual Report of the Second Assistant Postmaster General for the year 1910:

| Weighing section. | Date order No. 412 became effective. | Reduction in annual rate of pay. |
|---|---|---|
| First | July 1, 1909 | $1,100,951.44 |
| Second | July 1, 1908 | 434,730.82 |
| Third | July 1, 1907 | 1,787,378.10 |
| Fourth | July 1, 1910 | 1,618,879.98 |
| Total | | 4,941,940.34 |

There has been a later weighing than that represented above in one section, the third, and it is probable that, as the normal increase in weights from weighing to weighing tends to increase the amount representing any such change, the figures as to that section are, at present, somewhat too low, but data for their correction are not available.

Thus both, instead of one, of these heavy reductions were made, and instead of the congressional determination to reduce the railway pay only $2,723,658.90, as compared with $4,941,940.34, had the effect of combining both and reducing the pay $7,665,599.24 or nearly three times the amount which Congress determined was an adequate reduction, or based upon the total of transportation and railway post-office car pay for 1911, $50,099,537.02, 15.30 per cent.

### (f) WITHDRAWAL OF PAYMENTS FOR SPECIAL FACILITIES.

From a date soon after the 10 per cent statutory reduction in the rates of mail pay effected by the act of July 12, 1876 (19 Stat., 78), the Post Office Department, under authority obtained from Congress, instituted a system of special additional payments for extra or expedited train service upon railway routes on which the statutory payments would have been insufficient to secure the quality of service regarded as desirable by the Postmaster General. By the year 1901 the number of routes to which extra payments of this character were accorded, as well as the annual sum so expended, had been considerably reduced and on July 1, 1907, the last of these allowances was discontinued. The additional facilities and expedited services obtained in consideration of these payments have not, however, been withdrawn or diminished. The annual rates of payment of this character for the fiscal years 1901 to 1907, inclusive, were as follows:

| Fiscal year— | Annual rate of pay for special railway facilities. |
|---|---|
| 1901 | $195,682.50 |
| 1902 | 195,636.25 |
| 1903 | 167,175.00 |
| 1904 | 167,175.00 |
| 1905 | 167,175.00 |
| 1906 | 167,005.00 |
| 1907 | 167,005.00 |

The rate for 1907 will be accepted, for the purposes of this report, as measuring the present reduction due to the cessation of these payments.

### (g) WITHDRAWAL OF ENVELOPES, POSTAL CARDS, AND MAIL EQUIPMENT FROM MAILS.

Congress has, by legislation on successive appropriation acts, provided the Postmaster General with funds for the payment of freight or express charges on postal cards, stamped envelopes, newspaper wrappers, empty mail bags, furniture, equipment, and other mail supplies for the postal service, except postage stamps, and has directed the withdrawal of such articles from the mails, wherever practicable, during and after the weighing period. This withdrawal has, of course, decreased the

weight at the successive weighing periods and, therefore, diminished the pay for mail transportation. It was completed for the whole country with the weighing in 1910 in the fourth weighing section.[1] Unlike all the other reductions herein referred to, this one does involve a reduction in service as well as in payments. The Second Assistant Postmaster General has stated that it is impossible accurately to estimate the reduction in railway-mail pay due to these withdrawals,[2] and for the purposes of this brief there will be substituted for such an estimate the sum which the department has asked to have appropriated to pay, during the fiscal year 1913, freight and expressage on the articles so withdrawn. This sum is $525,000,[3] and to use it is to place the reduction at the lowest conceivable minimum.

### (H) FORWARDING PERIODICALS BY FREIGHT.

Incidentally mention may be made of the recent action of the Postmaster General in withdrawing certain periodicals from the mails and substituting freight service for that formerly given on passenger trains.[4] This action has resulted in a large reduction in gross revenue to the railways with little or no opportunity for reduction in the cost of their operations.

### (I) SUMMARY OF RECENT REDUCTIONS.

This report has now reached the point at which a summary of the recent reductions should be presented. No attempt has been made or will be made to estimate in dollars and cents the effect of the natural decrease of the rate per ton per mile for the services rendered which, as has been shown, must result from the normal operation of the system of payment inaugurated by the law of 1873. Approximations of the effect of the other changes, all of them doubtless too low, have been given and are repeated, as follows:

| Cause of reduction. | Amount of reduction. |
|---|---|
| Natural operation of law of 1873 | No estimate. |
| Competition stimulated by Post Office Department | $174,544.51 |
| Act of Mar. 2, 1907, and amendment of May 12, 1910 | 2,723,658.90 |
| Postmaster General's divisor order | 4,941,940.34 |
| Withdrawal of pay for special facilities | 167,005.00 |
| Withdrawal of mail supplies from mails | 525,000.00 |
| Total (with no allowance for the first item above) | 8,532,148.75 |

Therefore, with no allowance for the natural downward tendency due to the sliding scale of payment so wisely provided for in 1873, the mail pay of the railways in 1911 was at least $8,532,148.75 less than it would have been under the laws and practices in vogue prior to 1907. Compared with transportation pay of $46,172,472.93, this reduction amounts to 18.48 per cent, and on the basis of $50,099,537.02, the sum which includes both the transportation pay and railway post office car pay of 1911, it amounts to 17.03 per cent.

A method of estimating the contribution of the railways to the reduction of the postal deficit which is at once more simple and more comprehensive and more adequate is by ascertaining what the railway mail pay of 1911 would have been had it continued to absorb, as it did in 1901—that is but 10 years earlier—$34.18 per $100 of postal receipts (see table on p. 52). Postal receipts in 1901 aggregated $237,879,823, and, as already shown, even with the enormous increase in business of the decade 1901–1911, expenses for other purposes than railway mail pay increased proportionately faster than receipts, so that in 1911 these expenses consumed $79 for each $100 of receipts, as against but $69.33 in 1901. Fortunately for the Post Office Department, railway mail pay moved in the opposite direction. Had it merely remained stationary in its relation to receipts, the mail pay of 1911 would have been $81,307,323, or $30,724,200 more than it actually was. The postal deficit never amounted to more than twenty-one or twenty-two millions, and the Post Office Department never admitted as much as eighteen millions.

[1] Annual Report of the Second Assistant Postmaster General for 1910, p. 145.
[2] Annual Report for 1910, p. 130.
[3] Annual Report of the Second Assistant Postmaster General for 1911, p. 6.
[4] This change is described by the Postmaster General in his Report for 1911 (H. Doc. No. 559, 62d Cong., p. 19) and, more fully, by the Second Assistant Postmaster General on pp. 21 to 23 of his Annual Report for the same year.

The table next to follow merits more than ordinary attention. It serves, at once to illustrate with marked clearness, first, the reductions in railway mail pay, exclusive of payments on account of postal cars, due to (a) the change in the divisor and (b) the statutory reductions of March 2, 1907, and May 12, 1910, and, second, the reductions which, without any changes in the law or in the method of its application, result from the progressively decreasing sliding scale of payment. This natural downward movement is illustrated both with reference to the old divisor and rates and with regard to the rates and the divisor now in force. In considering the table it is necessary to remember that the principle of adjustment crystallized in the law of 1873 has never been modified although the rates have been several times reduced, the application of the sliding scale of payment has been extended, and the method of applying the law has been changed so as to produce a further reduction. This principle of progressive reduction with augmented volume of service was applied at the outset, and is still applied, by means of naming a series of specific rates for a series of specific services, each successive rate showing a lower average per unit of service than the rate named for the next lower volume of service that is specified. After the maximum service so specified is attained the law further specifies a still lower rate to be applied to each additional 2,000 pounds in the average weight carried daily over the entire route. It is obvious that under this plan increasing service produces a progressive lowering of the average rate and that the limit of this downward movement is fixed by the rate applied to the final increment. Originally this final rate was applied to each 2,000 pounds in excess of 5,000 pounds of average daily weight but since July 1, 1907, under the law of March 2, of that year, a further reduction has been applied to the excess over 48,000 pounds of daily weight. Beginning in 1876 (act of July 12, 1876), routes or parts of routes, the construction of which was aided by congressional grants of land, have received but 80 per cent of the amounts paid for the same services when rendered by other routes. Prior to July 1, 1907, the rate for each 2,000 pounds in excess of 5,000 pounds was $21.37 per mile per annum, or 6.827 cents per ton per mile for other than land-grant routes and $17.10 per mile per annum or 5.463 cents per ton per mile for land-grant routes.

The present rates on the excess over 5,000 pounds, up to a total of 48,000 pounds, are 5 per cent lower; that is to say, $20.30 per mile per annum or 5.562 cents per ton per mile for other than land-grant routes or $16.24 per mile per annum or 4.451 per ton per mile for land-grant routes. Beyond 48,000 pounds the act of March 2, 1907, now in force, provides rates of $19.24 per mile per annum or 5.271 cents per ton per mile for each increment of 2,000 pounds for other than land-grant routes and, as modified by the amendment of May 12, 1910, $15.39 per mile per annum or 4.216 cents per ton per mile for land-grant routes. In calculating the averages per ton per mile stated in this paragraph proper allowance has been made for the fact that under the Postmaster General's Order No. 412, the divisor order, a route has annually to carry an average of 365 tons per mile of its length to obtain an average daily weight of 2,000 pounds while prior to 1907 the same average daily weight represented an average annual service of 313 tons per mile of route. The reduction thus applied to the excess over 48,000 pounds average daily weight, as indicated by these average rates per ton per mile, amounts to 22.79 per cent for other than land-grant routes and to 22.83 per cent for land-grant routes.

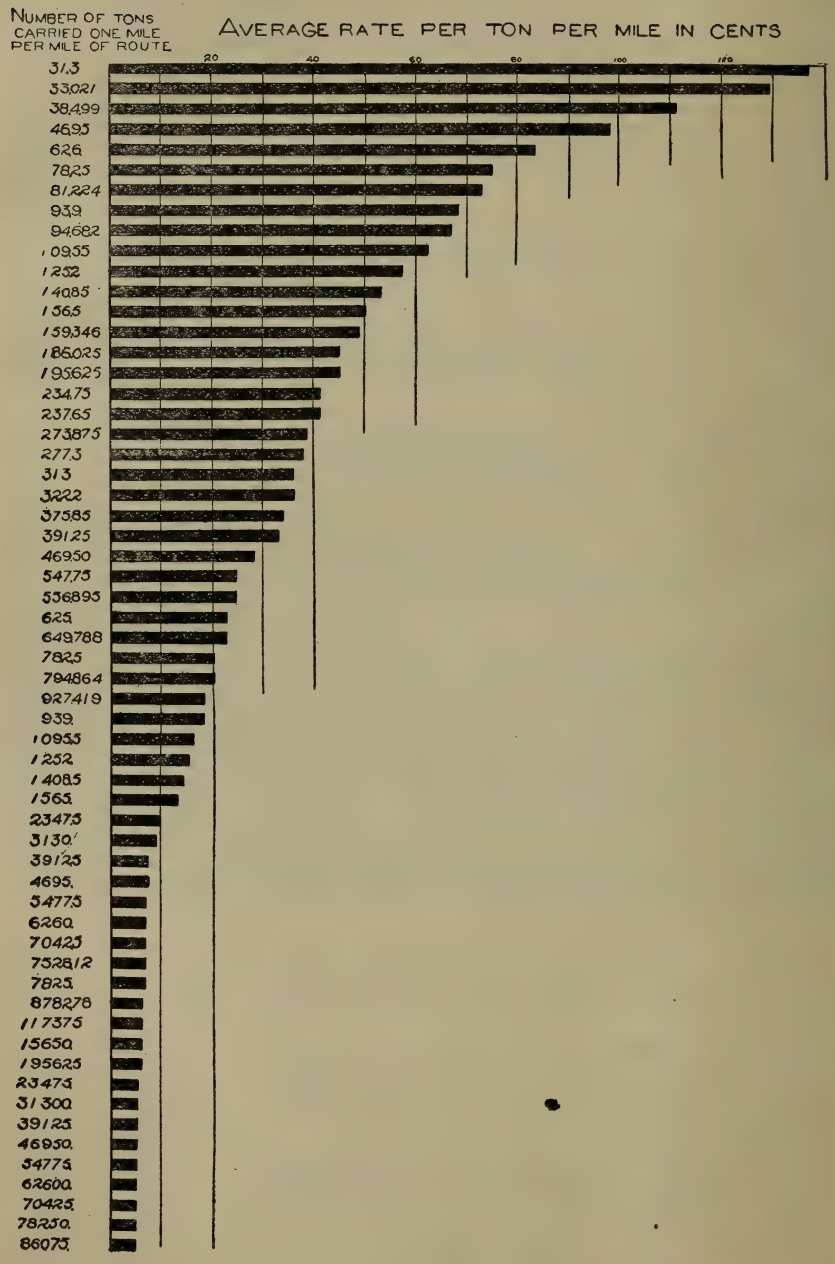
| Number of tons carried 1 mile per mile of route per annum. | Average daily weight paid for, in pounds. | | Pay per mile per annum. | | | | | Averages per ton per mile, in cents. | | | | | Reduction, present rates compared with those in force prior to July 1, 1907. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | With old divisor. | With new divisor under Postmaster General's Order No. 412. | Other than land-grant routes. | | Land-grant routes. | | | Other than land-grant routes. | | Land-grant routes. | | | |
| | | | Prior to July 1, 1907. | On and after July 1, 1907. | Prior to July 1, 1907. | July 1, 1907, to June 30, 1910. | On and after July 1, 1910. | Prior to July 1, 1907. | On and after July 1, 1907. | Prior to July 1, 1907. | July 1, 1907, to June 30, 1910. | On and after July 1, 1910. | |
| | | | | | | | | | | | | | *Per cent.* |
| 31.3 | 200 | 171 | $42.75 | $42.75 | $34.20 | $34.20 | $34.20 | 136.581 | 136.581 | 109.265 | 109.265 | 109.265 | None. |
| 33.021 | 211 | 181 | 42.75 | 42.75 | 34.20 | 34.20 | 34.20 | 129.46 | 129.46 | 103.57 | 103.57 | 103.57 | None. |
| 38.499 | 246 | 211 | 45.31 | 42.75 | 36.25 | 34.20 | 34.20 | 117.69 | 111.04 | 94.158 | 88.833 | 88.833 | 5.65 |
| 46.95 | 300 | 257 | 49.59 | 46.17 | 39.69 | 36.93 | 36.93 | 105.623 | 98.339 | 84.494 | 78.658 | 78.658 | 6.84 |
| 62.6 | 400 | 343 | 56.43 | 52.15 | 45.14 | 41.72 | 41.72 | 90.144 | 83.307 | 72.109 | 66.645 | 66.645 | 7.58 |
| 78.25 | 500 | 429 | 64.12 | 58.99 | 51.30 | 47.19 | 47.19 | 81.942 | 75.387 | 65.559 | 60.307 | 60.307 | 8.00 |
| 81.224 | 519 | 445 | 64.12 | 59.85 | 51.30 | 47.88 | 47.88 | 78.942 | 73.685 | 63.159 | 58.948 | 58.948 | 6.66 |
| 93.9 | 600 | 514 | 68.40 | 64.12 | 54.72 | 51.30 | 51.30 | 72.843 | 68.285 | 58.275 | 54.633 | 54.633 | 6.26 |
| 94.682 | 605 | 519 | 68.40 | 64.12 | 54.72 | 51.30 | 51.30 | 72.242 | 67.721 | 57.793 | 54.181 | 54.181 | 6.26 |
| 109.55 | 700 | 600 | 72.67 | 68.40 | 58.13 | 54.72 | 54.72 | 66.335 | 62.437 | 53.063 | 49.950 | 49.950 | 5.81 |
| 125.2 | 800 | 686 | 76.95 | 71.82 | 61.56 | 57.45 | 57.45 | 61.462 | 57.364 | 49.169 | 45.887 | 45.887 | 6.67 |
| 140.85 | 900 | 771 | 81.22 | 75.24 | 64.97 | 60.19 | 60.19 | 57.664 | 53.419 | 46.127 | 42.733 | 42.733 | 8.43 |
| 156.5 | 1,000 | 857 | 85.50 | 78.66 | 68.40 | 62.92 | 62.92 | 54.633 | 50.262 | 43.706 | 40.204 | 40.204 | 8.00 |
| 159.346 | 1,019 | 873 | 85.50 | 79.51 | 68.40 | 63.61 | 63.61 | 53.657 | 49.898 | 42.925 | 39.919 | 39.919 | 7.01 |
| 186.025 | 1,189 | 1,019 | 93.19 | 85.50 | 74.55 | 68.40 | 68.40 | 50.093 | 45.962 | 40.075 | 36.769 | 36.769 | 8.25 |
| 195.625 | 1,250 | 1,071 | 95.76 | 88.06 | 76.60 | 70.44 | 70.44 | 48.951 | 45.015 | 39.157 | 36.008 | 36.008 | 8.04 |
| 234.75 | 1,500 | 1,286 | 106.87 | 97.47 | 85.50 | 77.97 | 77.97 | 45.525 | 41.521 | 36.417 | 33.214 | 33.214 | 8.80 |
| 237.65 | 1,519 | 1,302 | 106.87 | 98.32 | 85.50 | 76.66 | 78.66 | 44.969 | 41.372 | 35.977 | 33.099 | 33.099 | 8.00 |
| 273.875 | 1,750 | 1,500 | 117.13 | 106.87 | 93.70 | 85.50 | 85.50 | 42.768 | 39.021 | 34.213 | 31.219 | 31.219 | 8.76 |
| 277.3 | 1,772 | 1,519 | 117.99 | 106.87 | 94.39 | 85.50 | 85.50 | 42.550 | 38.539 | 34.039 | 30.833 | 30.833 | 9.42 |
| 313 | 2,000 | 1,714 | 128.25 | 115.42 | 102.60 | 92.33 | 92.33 | 40.974 | 36.875 | 32.780 | 29.498 | 29.498 | 10.00 |
| 322.2 | 2,059 | 1,765 | 128.25 | 117.99 | 102.60 | 94.39 | 94.39 | 39.804 | 36.620 | 31.844 | 29.295 | 29.295 | 8.00 |
| 375.85 | 2,402 | 2,059 | 133.38 | 128.25 | 106.70 | 102.60 | 102.60 | 35.488 | 34.123 | 28.389 | 27.298 | 27.298 | 3.85 |
| 391.25 | 2,500 | 2,143 | 135.09 | 129.96 | 108.07 | 103.96 | 103.96 | 34.528 | 33.217 | 27.622 | 26.571 | 26.571 | 3.80 |
| 469.50 | 3,000 | 2,571 | 141.93 | 135.94 | 113.54 | 108.75 | 108.75 | 30.230 | 28.954 | 24.183 | 23.163 | 23.163 | 4.22 |
| 547.75 | 3,500 | 3,000 | 149.62 | 141.93 | 119.70 | 113.54 | 113.54 | 27.315 | 25.911 | 21.853 | 20.728 | 20.728 | 5.14 |
| 556.895 | 3,559 | 3,051 | 149.62 | 142.78 | 119.70 | 114.22 | 114.22 | 26.867 | 25.639 | 21.494 | 20.510 | 20.510 | 4.57 |
| 625 | 4,000 | 3,429 | 156.46 | 147.91 | 125.16 | 118.32 | 118.32 | 24.994 | 23.628 | 19.994 | 18.901 | 18.901 | 5.46 |
| 649.788 | 4,152 | 3,559 | 158.17 | 149.62 | 126.54 | 119.70 | 119.70 | 24.342 | 23.026 | 19.474 | 18.421 | 18.421 | 5.41 |
| 782.5 | 5,000 | 4,286 | 171.00 | 160.74 | 136.80 | 128.59 | 128.59 | 21.853 | 20.542 | 17.482 | 16.433 | 16.433 | 6.00 |
| 794.864 | 5,079 | 4,353 | 171.00 | 161.59 | 136.80 | 129.27 | 129.27 | 21.513 | 20.329 | 17.210 | 16.263 | 16.263 | 5.50 |
| 927.419 | 5,926 | 5,079 | 180.40 | 171.00 | 144.32 | 136.80 | 136.80 | 19.452 | 18.438 | 15.561 | 14.751 | 14.751 | 5.21 |
| 939 | 6,000 | 5,143 | 181.26 | 171.81 | 145.00 | 137.44 | 137.44 | 19.304 | 18.297 | 15.442 | 14.637 | 14.637 | 5.21 |
| 1,095.5 | 7,000 | 6,000 | 192.37 | 180.74 | 153.89 | 144.59 | 144.59 | 17.560 | 16.498 | 14.047 | 13.199 | 13.199 | 6.04 |
| 1,252 | 8,000 | 6,857 | 202.63 | 189.67 | 162.10 | 151.73 | 151.73 | 16.185 | 15.150 | 12.947 | 12.120 | 12.120 | 6.39 |
| 1,408.5 | 9,000 | 7,714 | 213.75 | 197.80 | 171.00 | 158.24 | 158.24 | 15.176 | 14.043 | 12.141 | 11.235 | 11.235 | 7.46 |

| Number of tons carried 1 mile per mile of route per annum. | Average daily weight paid for, in pounds. | | Pay per mile per annum. | | | | | Averages per ton per mile, in cents. | | | | | Reduction, present rates compared with those in force prior to July 1, 1907. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | With old divisor. | With new divisor under Postmaster General's Order No. 412. | Other than land-grant routes. | | Land-grant routes. | | | Other than land-grant routes. | | Land-grant routes. | | | |
| | | | Prior to July 1, 1907. | On and after July 1, 1907. | Prior to July 1, 1907. | July 1, 1907, to June 30, 1910. | On and after July 1, 1910. | Prior to July 1, 1907. | On and after July 1, 1907. | Prior to July 1, 1907. | July 1, 1907, to June 30, 1910. | On and after July 1, 1910. | |
| | | | | | | | | | | | | | *Per cent.* |
| 1,565 | 10,000 | 8,571 | $224.01 | $206.73 | $179.20 | $165.38 | $165.38 | 14.314 | 13.210 | 11.450 | 10.568 | 10.568 | 8.10 |
| 2,347.5 | 15,000 | 12,857 | 277.87 | 250.60 | 222.29 | 200.48 | 200.48 | 11.837 | 10.675 | 9.469 | 8.540 | 8.540 | 9.81 |
| 3,130.0 | 20,000 | 17,143 | 330.88 | 293.64 | 264.70 | 234.91 | 234.91 | 10.571 | 9.382 | 8.457 | 7.505 | 7.505 | 11.25 |
| 3,912.5 | 25,000 | 21,429 | 384.75 | 337.51 | 307.80 | 270.00 | 270.00 | 9.834 | 8.626 | 7.867 | 6.901 | 6.901 | 12.29 |
| 4,695 | 30,000 | 25,714 | 437.76 | 380.56 | 350.20 | 304.44 | 304.44 | 9.324 | 8.106 | 7.459 | 6.484 | 6.484 | 13.07 |
| 5,447.5 | 35,000 | 30,000 | 491.62 | 424.42 | 393.29 | 339.53 | 339.53 | 8.976 | 7.748 | 7.160 | 6.199 | 6.199 | 13.67 |
| 6,260 | 40,000 | 34,286 | 544.63 | 468.28 | 435.70 | 374.62 | 374.62 | 8.700 | 7.481 | 6.960 | 5.984 | 5.984 | 14.02 |
| 7,042.5 | 45,000 | 38,571 | 598.50 | 511.33 | 478.80 | 409.06 | 409.06 | 8.498 | 7.261 | 6.799 | 5.808 | 5.808 | 14.56 |
| 7,528.12 | 48,103 | 41,231 | 630.99 | 538.14 | 504.79 | 430.51 | 430.51 | 8.382 | 7.148 | 6.705 | 5.719 | 5.719 | 14.71 |
| 7,825 | 50,000 | 42,857 | 651.51 | 555.19 | 521.20 | 444.15 | 444.15 | 8.326 | 7.095 | 6.661 | 5.676 | 5.676 | 14.78 |
| 8,782.78 | 56,120 | 48,103 | 717.34 | 607.17 | 573.87 | 485.74 | 485.74 | 8.168 | 6.913 | 6.534 | 5.531 | 5.531 | 16.36 |
| 11,737.5 | 75,000 | 64,286 | 919.12 | 763.09 | 735.29 | 624.54 | 610.86 | 7.831 | 6.501 | 6.264 | 5.321 | 5.204 | 16.98 |
| 15,650 | 100,000 | 85,714 | 1,186.83 | 969.49 | 949.46 | 807.54 | 775.76 | 7.584 | 6.195 | 6.067 | 5.160 | 4.957 | 18.31 |
| 19,562.5 | 125,000 | 107,143 | 1,453.50 | 1,176.13 | 1,162.80 | 990.64 | 940.05 | 7.430 | 6.012 | 5.944 | 5.064 | 4.805 | 19.08 |
| 23,475 | 150,000 | 128,571 | 1,720.26 | 1,381.77 | 1,376.20 | 1,173.74 | 1,105.34 | 7.328 | 5.886 | 5.862 | 5.000 | 4.709 | 19.68 |
| 31,300 | 200,000 | 171,429 | 2,254.63 | 1,793.81 | 1,803.70 | 1,540.84 | 1,434.53 | 7.203 | 5.731 | 5.763 | 4.923 | 4.583 | 20.44 |
| 39,125 | 250,000 | 214,286 | 2,789.01 | 2,206.09 | 2,231.20 | 1,907.04 | 1,765.11 | 7.128 | 5,639 | 5.703 | 4.874 | 4.511 | 20.90 |
| 46,950 | 300,000 | 257,143 | 3,323.38 | 2,618.13 | 2,658.70 | 2,273.14 | 2,094.30 | 7.079 | 5.576 | 5.663 | 4.842 | 4.461 | 21.19 |
| 54,775 | 350,000 | 300,000 | 3,857.76 | 3,031.41 | 3,086.20 | 2,640.34 | 2,424.88 | 7.043 | 5.534 | 5.634 | 4.820 | 4.427 | 21.42 |
| 62,600 | 400,000 | 342,857 | 4,392.13 | 3,443.45 | 3,513.70 | 3,006.44 | 2,754.07 | 7.016 | 5.501 | 5.613 | 4.803 | 4.399 | 21.60 |
| 70,425 | 450,000 | 385,714 | 4,926.51 | 3,855.49 | 3,941.20 | 3,372.54 | 3,084.26 | 6.995 | 5.475 | 5.596 | 4.789 | 4.379 | 21.74 |
| 78,250 | 500,000 | 428,571 | 5,460.88 | 4,267.77 | 4,368.70 | 3,728.74 | 3,413.84 | 6.979 | 5.454 | 5.583 | 4.765 | 4.363 | 21.85 |
| 86,075 | 550,000 | 471,429 | 5,995.26 | 4,679.81 | 4,796.20 | 4,105.84 | 3,743.03 | 6.965 | 5.437 | 5.572 | 4.770 | 4.349 | 21.94 |

An important consequence of this scheme of payment is that of itself it should enable the Post Office Department to show a decreasing ratio of expenses to receipts resulting from the progressive expansion in the volume of the mails. Postage rates have not been diminished as postal business has increased, and hence the average receipts of the postal service per unit of business have remained constant, while the plan of payment for railway transportation, as has been seen, provides a steadily decreasing expense per unit for the element of cost represented by railway facilities and services.

An understanding of the manner in which the rates are applied is also necessary to a complete comprehension of the table. Thus the minimum rates nominally applicable to an average daily weight of 200 pounds are in practice applied whenever the average is 211 pounds or less, because no account is taken of an increment of weight that would not have been sufficient before the reductions of 1876 and 1878 to warrant an additional payment of $1. At present this minimum rate (for other than land-grant routes) is $42.75, and the additional sum of 85.5 cents is paid for each 12 pounds above 200 pounds of average daily weight up to 500 pounds, when another rate is applied, but nothing is paid for any fraction of 12 pounds. Under this system the rate for 211 pounds average daily weight is $42.75, while for 212 pounds it is $43.60. In the same manner the 500 pounds rate is extended to apply to 519 pounds, the 1,000 pounds rate to 1,019 pounds, the 1,500 pounds rate to 1,519 pounds, the 2,000 pounds rate to 2,059 pounds, the 3,500 pounds rate to 3,559 pounds, the 5,000 pounds rate to 5,079 pounds, the 48,000 pounds rate to 48,103.95 pounds. It is this plan of applying the rates which produces the notable fluctuations in the percentages of reductions as disclosed in the upper half of the last column.

The headings in the table referred to indicate the significance of the figures it contains, but they deserve all the emphasis that can be given. Each horizontal line in the table represents the results accruing, or that formerly would have accrued, to a railway route for an actual service measured, so far as these postal services can be measured in terms of weight and distance, by the figure at the extreme left of that line in the first column. Thus, the last line represents an annual service equivalent to carrying 86,075 tons over each mile of a particular route. Prior to July 1, 1907, the effective date of Postmaster General's Order No. 412, this volume of service would have resulted in stating the average daily weight on which payment is calculated as 550,000 pounds; now it gives an average daily weight one-seventh less, or 471,429 pounds. This change in the method of applying the statute alone and had there been no other change adverse to the railways affected would have reduced the pay of a route having this volume of service no less than $839.61 for each mile of its length. But there have been additional reductions, so that it appears that if this volume of mail is now carried on other than a land-grant route the annual pay per mile is $4,679.81, or $1,315.45 less than $5,995.26, which would have been the rate prior to July 1, 1907. This is a reduction of 21.94 per cent, as stated in the last column at the right of this line. Similarly, if the route were a land-grant route its pay would have been $4,796.20 per mile prior to July 1, 1907, and now would be $3,743.03 per mile, also a reduction of 21.94 per cent. Prior to July 1, 1907, the pay of this route, if not a land-grant route, would have been at the rate of 6.965 cents per ton per mile; it would now be at the rate of 5.437 cents per ton per mile. The corresponding ton-mile rates for land-grant routes are 5.572 cents and 4.349 cents, respectively.


NUMBER OF TONS CARRIED ONE MILE PER MILE OF ROUTE
AVERAGE RATE PER TON PER MILE IN CENTS
20
40
60
100
31.3
33021
38,499
4695
626
7825
81,224
939
94,682
1 0955
1 252
1 4085
1 565
159346
186025
195625
234.75
237.65
273875
277.3
313
3222
37585
39125
46950
54775
536895
625
649788
7825
794864
927419
939
10955
1 252
1 4085
1 565
23475
3130
39125
4695.
54775
6260
70425
752812
7825
878278
1 17375
15650
195625
23475
31300
39125
46950.
54775
62600
70425
78250.
86075

These average ton-mile rates deserve especial attention. Considering the fifth column from the right, which contains the standard rates now in force, it shows that for the lowest weight stated the rate is considerably over $1 per ton per mile and that the subsequent decrease in the average is very rapid until it approaches the lower end of the column when, although the decrease continues, the rate of decrease is more moderate. Of course, the highest rates are in recognition of the character and cost of service on routes having very small quantities of mail and represent a small aggregate of railway mail pay and a relatively meager portion of the total paid to the railways for mail services and facilities. The average daily weight tends on all routes, or at least on nearly all routes, to become greater as an incident to the development of the country, its growth in population, industry, and wealth, and the progressive increase in the utilization of postal facilities. Hence, in the normal course, every route tends to pass from a class having higher pay per ton mile to a class having lower pay and to continue downward, each route thus constantly approaching the minimum, although the rate of approach varies greatly with different routes. Commenting upon this fact in his report to the joint postal commission in 1900, Prof. Henry C. Adams assigned it as ground for the assertion that "the law of 1873 is drawn in harmony with the fundamental law of transportation" which, he declared, is that "a reduction in rates is a normal result of an extension of traffic" and, he said, "justifies a relatively more rapid reduction in the rate per ton per mile for a route whose traffic increases, let us say, from 50 pounds to 1,000 pounds daily, than for a route whose traffic increases from 5,000 pounds to 10,000, or 50,000 to 100,000 pounds."[1]

The percentages of reduction in the last column of the table are very significant. Those corresponding to annual service of less than to 939 tons per average mile of route represent reductions effected by means of Order No. 412, only, for below this volume of service the statutory change of 1907 had no effect. The curious fluctuations in the percentages of the reductions so produced, ranging from 3.85 per cent to 10 per cent, and the highest percentage representing a smaller volume of service than the lowest percentage, indicate the complicated nature of the change, apparently so simple, brought about by that order. Beyond 939 tons the percentages progress steadily until they reach the maximum, 21.94 per cent, in the last line, which represents the heaviest mail movement.

The figures in the last foregoing table are general in their significance. The table which follows shows precisely what has happened to particular routes, taking for illustrative purposes, those routes, with a few exceptions, on which mail was weighed in the years 1910 or 1911 and having, under the present mode of calculation, an average daily weight in excess of 20,000 pounds. All routes of this class are included except a few having lap service or in which other extraordinary conditions might have been thought to impair the value of the comparisons.

[1] Fifty-sixth Cong., Doc. No. 89, pt. 2, pp. 204–205.

| Route No. | Termini. | Railroad. | Length, in miles. | Average daily weight. | | Transportation pay per mile per annum. | | Transportation pay for route per annum. | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Under Order No. 412. | As it would have been prior to July 1, 1907, for same service. | Now in force. | As it would have been prior to July 1, 1907, for same service. | Now in force. | As it would have been prior to July 1, 1907, for same service. | Reduction per cent. |
| 176022 | Davis; Tehama, Cal | Southern Pacific Co | 111.83 | 20,465 | 23,876 | $327.76 | $371.92 | $36,653.40 | $41,591.81 | 11.87 |
| 145018 | Burlington, Iowa; St. Louis, Mo | Chicago, Burlington & Quincy R. R | 216.91 | 20,921 | 24,408 | 332.63 | 377.91 | 72,150.77 | 81,972.46 | 11.98 |
| 131023 | Toledo; Cincinnati, Ohio | Cincinnati, Hamilton & Dayton Ry | 202.30 | 21,095 | 24,611 | 334.26 | 380.47 | 67,620.79 | 76,969.08 | 12.15 |
| 131024 | Hamilton, Ohio; Indianapolis, Ind | do | 98.99 | 21,135 | 24,657 | 334.26 | 380.47 | 33,088.39 | 37,662.73 | 12.15 |
| 163014 | Miles City, Mont.; Spokane, Wash | Northern Pacific Ry | 762.32 | 21,505 | 25,089 | 270.65 | 308.48 | 206,321.90 | 235,160.47 | 12.26 |
| 173001 | Portland; Ashland, Oreg | Southern Pacific Co | 342.71 | 21,735 | 25,357 | 340.71 | 388.17 | 116,764.72 | 133,029.74 | 12.23 |
| 131005 | Cleveland, Ohio; Leavittsburg, Ohio | Erie R. R | 49.39 | 21,758 | 25,384 | 340.76 | 388.17 | 16,830.13 | 19,171.72 | 12.21 |
| 131047 | Chicago, Ohio; Chicago, Ill | Baltimore & Ohio R. R | 278.61 | 21,821 | 25,458 | 341.57 | 389.02 | 95,164.81 | 108,384.86 | 12.20 |
| 155001 | Kansas City, Mo.; Denver, Colo | Union Pacific R. R | 639.76 | 21,920 | 25,573 | 342.38 | 390.73 | 219,041.02 | 249,973.42 | 12.37 |
| 141058 | St. Paul, Minn.; Hankinson, N. Dak | Minneapolis, St. Paul & Sault Ste. Marie Ry. | 217.09 | 21,950 | 25,608 | 336.05 | 390.73 | 72,952.22 | 84,823.58 | 14.00 |
| 171010 | Blaine; Seattle, Wash | Great Northern Ry | 119.51 | 23,123 | 26,977 | 354.56 | 405.27 | 42,373.46 | 48,433.82 | 12.51 |
| 135136 | Bernice; Colehour, Ill | Pennsylvania Co | 9.16 | 23,831 | 27,803 | 361.87 | 414.67 | 3,314.72 | 3,798.38 | 12.73 |
| 131028 | Parkersburg, W. Va.; Cincinnati, Ohio. | Baltimore & Ohio Southwestern R. R | 195.25 | 24,854 | 28,996 | 372.43 | 426.64 | 72,716.95 | 83,301.46 | 12.71 |
| 133038 | Indianapolis; Monon, Ind | Chicago, Indianapolis & Louisville Ry | 95.34 | 24,915 | 29,067 | 372.43 | 427.50 | 35,507.47 | 40,757.85 | 12.88 |
| 131045 | Toledo, Ohio; Elkhart, Ind | Lake Shore & Michigan Southern Ry | 142.44 | 25,122 | 29,309 | 374.87 | 430.06 | 53,396.48 | 61.257.75 | 12.83 |
| 150007 | Longview; San Antonio, Tex | International & Great Northern R. R | 342.06 | 27,344 | 31,901 | 397.61 | 458.28 | 136,006.47 | 156,759.26 | 13.24 |
| 176053 | Barstow; Los Angeles, Cal | Atchison, Topeka & Santa Fe Ry | 141.23 | 27,494 | 32,076 | 399.24 | 459.99 | 56,384.66 | 64,964.39 | 13.21 |
| 176014 | Los Angeles, Cal.; Yuma, Ariz | Southern Pacific Co | 251.68 | 28,120 | 32,807 | 324.59 | 374.14 | 81,692.81 | 94,163.56 | 13.24 |
| 161013 | Fargo, N. Dak.; Miles City, Mont | Northern Pacific Co | 495.33 | 28,831 | 33,636 | 329.79 | 380.98 | 163,354.88 | 188,710.82 | 13.44 |
| 135010 | Galesburg; Quincy, Ill | Chicago, Burlington & Quincy R. R | 99.76 | 29,568 | 34,496 | 420.36 | 485.64 | 41,935.11 | 48,447.45 | 13.44 |
| 150009 | Texarkana, Ark.; Fort Worth, Tex | Texas & Pacific Ry | 246.10 | 29,935 | 34,924 | 423.60 | 490.77 | 104,247.96 | 120,778.50 | 13.69 |
| 157002 | Omaha, Nebr.; Denver, Colo | Chicago, Burlington & Quincy R. R | 537.37 | 30,252 | 35,294 | 426.85 | 494.19 | 229,376.38 | 265,562.88 | 13.63 |
| 167014 | El Paso, Tex.; Carrizozo, N. Mex | El Paso & Southwestern Co | 145.43 | 30,918 | 36,071 | 430.79 | 502.74 | 62,649.17 | 73,113.48 | 14.31 |
| 168001 | Yuma, Ariz.; El Paso, Tex | Southern Pacific Co | 564.29 | 31,183 | 36,380 | 434.04 | 506.16 | 244,922.67 | 285,621.03 | 14.25 |
| 133010 | Cincinnati, Ohio; East St. Louis, Ill | Baltimore & Ohio Southwestern R. R | 335.66 | 31,357 | 36,583 | 438.23 | 507.87 | 147,096.28 | 170,471.64 | 13.71 |
| 167021 | Santa Rosa; Carrizozo, N. Mex | El Paso & Southwestern Co | 128.48 | 31,738 | 37,028 | 439.72 | 513.00 | 56,494.71 | 65,910.24 | 14.29 |
| 167029 | Tucumcari; Santa Rosa, N. Mex | Chicago, Rock Island & El Paso Ry | 59.37 | 32,287 | 37,668 | 445.30 | 519.84 | 26,437.66 | 30,862.90 | 14.34 |
| 176042 | Barstow; Needles, Cal | Atchison, Topeka & Santa Fe Ry | 169.07 | 32,444 | 37,851 | 359.68 | 417.24 | 60,811.09 | 70,542.77 | 13.80 |
| 131016 | Galion, Ohio; Granite City, Ill | Cleveland, Cincinnati, Chicago & St. Louis Ry. | 448.05 | 32,502 | 37,919 | 449.60 | 522.40 | 201,443.28 | 234,061.32 | 13.94 |
| 133012 | Evansville (L. & N. Depot); Terre Haute, Ind. | Chicago & Eastern Illinois R. R | 110.94 | 32,844 | 38,318 | 453.66 | 526.68 | 50,329.04 | 58,429.88 | 13.86 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 167003 | Isleta, N. Mex.; Needles, Cal. | Atchison, Topeka & Santa Fe Ry. | 565.17 | 33,327 | 38,881 | 366.82 | 426.13 | 207,315.65 | 240,835.89 | 13.92 |
| 150095 | Texhoma, Okla.; State line between Texas and New Mexico. | Chicago, Rock Island & Gulf Ry. | 92.35 | 33,708 | 39,326 | 459.30 | 537.79 | 42,416.70 | 49,664.91 | 14.59 |
| 135017 | Chicago; East St. Louis, Ill. | Chicago & Alton R. R. | 280.68 | 36,055 | 42,064 | 486.15 | 566.86 | 136,452.58 | 159,106.26 | 14.24 |
| 173003 | Huntington; Portland, Oreg. | Oregon R. R. & Navigation Co. | 401.91 | 36,771 | 42,899 | 493.46 | 575.41 | 198,326.50 | 231,263.03 | 14.24 |
| 165006 | La Junta, Colo.; Albuquerque, N. Mex. | Atchison, Topeka & Santa Fe Ry. | 348.37 | 38,960 | 45,453 | 515.39 | 602.77 | 179,546.41 | 209,986.98 | 14.50 |
| 135042 | Chicago, Ill.; Terre Haute, Ind. | Chicago & Eastern Illinois R. R. | 177.80 | 41,680 | 48,627 | 543.01 | 636.97 | 96,547.17 | 113,253.27 | 14.75 |
| 145004 | St. Louis; Kansas City, Mo. | Wabash R. R. | 276.49 | 41,812 | 48,781 | 540.67 | 638.68 | 149,489.36 | 176,588.63 | 15.35 |
| 170002 | Pocatello, Idaho; Huntington, Oreg. | Oregon Short Line R. R. | 326.88 | 42,880 | 50,027 | 555.19 | 651.51 | 181,480.50 | 212,965.59 | 14.78 |
| 131019 | Toledo, Ohio; Granite City, Ill. | Wabash R. R. | 428.31 | 43,487 | 50,735 | 559.68 | 659.20 | 239,717.32 | 282,341.95 | 15.10 |
| 135001 | Chicago, Ill.; Milwaukee, Wis. | Chicago & Northwestern Ry. | 85.00 | 44,170 | 51,532 | 568.19 | 667.75 | 48,296.15 | 56,758.75 | 14.91 |
| 164001 | Granger, Wyo.; Pocatello, Idaho | Oregon Short Line R. R. | 214.70 | 47,498 | 55,414 | 602.30 | 709.65 | 129,313.81 | 152,361.85 | 15.13 |
| 171040 | Spokane; Everett, Wash. | Great Northern Ry. | 305.98 | 50,133 | 58,488 | 627.41 | 742.14 | 191,974.91 | 227,080.00 | 15.46 |
| 135098 | Chicago, Ill.; Kansas City, Mo. | Atchison, Topeka & Santa Fe Ry. | 454.00 | 53,948 | 62,939 | 663.65 | 790.02 | 301,297.10 | 358,669.08 | 16.00 |
| 135015 | Chicago, Ill.; Davenport, Iowa | Chicago, Rock Island & Pacific Ry. | 182.84 | 54,371 | 63,433 | 667.89 | 795.15 | 122,117.00 | 145,385.23 | 16.00 |
| 161010 | Fargo, N. Dak.; Havre, Mont. | Great Northern Ry. | 711.99 | 56,457 | 65,866 | 688.13 | 820.80 | 489,941.67 | 584,401.39 | 16.16 |
| 135097 | Willows; Madison Tower, Ill. | Vandalia R. R. | 3.37 | 59,015 | 68,851 | 712.37 | 853.29 | 2,400.68 | 2,875.59 | 16.52 |
| 135020 | Chicago (Park Row Station); Carbondale, Ill. | Illinois Central R. R. | 306.86 | 59,806 | 69,774 | 575.69 | 690.15 | 176,656.23 | 211,779.43 | 16.58 |
| 131013 | Cleveland; Cincinnati, Ohio | Cleveland, Cincinnati, Chicago & St. Louis Ry. | 263.18 | 59,824 | 69,795 | 720.37 | 862.69 | 189,586.97 | 227,042.75 | 16.50 |
| 163030 | Havre, Mont.; Spokane, Wash. | Great Northern Ry. | 531.67 | 61,099 | 71,282 | 732.61 | 878.94 | 389,506.75 | 467,306.03 | 16.65 |
| 161001 | Casselton; Devils Lake, N. Dak. | do. | 126.47 | 71,421 | 83,324 | 831.81 | 1,008.04 | 105,199.01 | 127,486.82 | 17.48 |
| 176001 | San Francisco (Ferry Station), Cal.; Ogden, Utah. | Southern Pacific Co. | 783.77 | 93,613 | 109,215 | 1,045.45 | 1,284.21 | 819,392.34 | 1,006,525.27 | 18.59 |
| 131014 | Columbus; Cincinnati, Ohio | Pittsburgh, Cincinnati, Chicago & St. Louis Ry. | 119.74 | 94,626 | 110,397 | 1,055.69 | 1,297.03 | 126,408.32 | 155,306.37 | 18.61 |
| 131011 | Xenia; New Paris, Ohio | do. | 52.12 | 130,978 | 152,808 | 1,405.01 | 1,750.18 | 73,229.12 | 91,219.38 | 19.72 |
| 145043 | St. Louis (Union Station), Mo.; Granite City, Ill. | St. Louis Merchants Bridge Terminal Ry. Co. | 9.68 | 144,375 | 168,437 | 1,530.72 | 1,916.91 | 14,817.36 | 18,555.69 | 20.15 |
| 157001 | Union Pacific Transfer, Iowa; Ogden, Utah. | Union Pacific R. R. | 993.78 | 147,216 | 171,752 | 1,560.93 | 1,952.82 | 1,551,221.01 | 1,940,673.46 | 20.07 |
| 141013 | Minneapolis, Minn.; La Crosse, Wis. | Chicago, Milwaukee & St. Paul Ry. | 140.80 | 180,205 | 210,239 | 1,737.83 | 2,364.07 | 244,687.09 | 332,861.06 | 26.49 |
| 131015 | Columbus, Ohio; Indianapolis, Ind. | Pittsburgh, Cincinnati, Chicago & St. Louis Ry. | 187.99 | 164,037 | 191,376 | 1,723.09 | 2,162.29 | 323,923.68 | 406,488.90 | 20.31 |
| 139002 | Milwaukee; La Crosse, Wis. | Chicago, Milwaukee & St. Paul Ry. | 197.60 | 201,244 | 234,785 | 1,929.53 | 2,626.56 | 381,274.77 | 519,008.26 | 26.54 |
| 131002 | Pittsburgh, Pa.; Chicago, Ill. | Pennsylvania Co. | 468.43 | 211,644 | 246,918 | 2,180.61 | 2,755.66 | 1,021,463.14 | 1,290,833.81 | 20.87 |
| 133002 | Indianapolis, Ind.; East St. Louis, Ill. | Vandalia Ry. | 238.22 | 215,585 | 251,516 | 2,219.09 | 2,805.25 | 528,631.61 | 668,266.66 | 20.90 |
| 135007 | Chicago, Ill.; Burlington, Iowa | Chicago, Burlington & Quincy Ry. | 205.57 | 226,784 | 264,581 | 2,315.71 | 2,944.62 | 476,041.16 | 605,325.53 | 21.36 |
| 135035 | Chicago, Ill.; Milwaukee, Wis. | Chicago, Milwaukee & St. Paul Ry. | 85.39 | 233,903 | 272,887 | $2,244.33 | $3,033.54 | $191,643.15 | $259,033.98 | 26.02 |
| 131095 | Buffalo, N. Y.; Chicago, Ill. | Lake Shore & Michigan Southern Ry. | 522.18 | 428,633 | 500,072 | 4,096.68 | 5,461.74 | 2,139,206.22 | 2,852,011.39 | 24.99 |
| | Total | | 17,645.72 | | | 809.07 | 1,001.43 | 14,276,600.84 | 17,617,952.44 | 18.97 |

The table just indicated represents 63 routes on which mail was weighed during the years 1910 and 1911, with a total length of 17,645.72 miles. Although this represents but 7.88 per cent in length of the railway mail routes of the country, these routes receive, under present adjustments, $14,276,600.84 per annum of railway mail pay, exclusive of any pay for postal cars which they may receive, or 30.92 per cent of the total transportation pay of all the railway routes. Their present proportion of the transportation pay of the third and fourth weighing sections, in which weighing took place in 1910 and 1911, is 41.99. Other routes weighed in those years and having average daily weights of 20,000 pounds or more, but excluded from the table because, for one reason or another, they might have been thought to impair the accuracy of the comparisons, receive, under the adjustments of those years, $4,552,414.49 per annum. Adding this sum to the total of present transportation pay of the routes in the table gives $18,829,015.33, which is 55.38 per cent of the transportation pay of the third and fourth weighing sections. These data serve to demonstrate the importance of the fact, disclosed by the table, that the average reduction in transportation pay alone for these 63 heavy routes, since the close of the first half of the calendar year 1907, is 18.97 per cent. A tabulation of the postal car pay for these routes would show a still greater rate of reduction.

### J.—CONCLUSION DRAWN FROM THESE REDUCTIONS.

This report does not assume to base any final conclusion as to the wisdom or justice of a further reduction upon the fact that within less than five years railway mail pay has been thus heavily reduced. Such a record as that disclosed in the foregoing pages does, however, create a presumption that is strongly adverse to any plan which would immediately require further large sacrifices of revenue on the part of the railway instrumentalities of the postal service. When this presumption has been supplemented by proof, which will presently be adduced (see pp. 74–75), that the railways were not overpaid prior to July 1, 1907, the gross injustice of adding to the series of reductions begun on that date and still in progress must be conceded. It is now generally recognized that present railway revenues are, at the most, but barely adequate to provide for the requirements of increased wages, higher prices of materials and supplies, progressively augmented standards of service, and the reasonable return upon investments that is necessary to attract the capital needed for improvements and extensions. There is no valid reason for singling out the mail service and making it the especial subject of reductions that ought not to be and can not be extended to other kinds of traffic. All the economies of the postal service certainly ought not to be at the expense of the railways. It is fair to inquire whether it has become a habit of postal administration to look to decreases in the item of railway mail pay as the sole means of accomplishing an equation between postal receipts and postal expenditures and, if such seems to be the case, to inquire, further, whether it is reasonably consistent with public policy to insist that this item of postal expense shall continue to be diminished by the force of public authority, even if such exercise of this authority is not repugnant to the guaranties of the Federal Constitution, in order that expenses for other purposes may be progressively increased. It is reasonable that the railways should ask that the recommendations of the Postmaster General, contained in Document No. 105, be considered in the light of a complete understanding of the heavy and rapid reductions inposed upon them during recent years.

## IV. Reduced Railway Mail Pay Is Now Below the Level of Just Compensation.

### (a) POINTS ALREADY DEMONSTRATED IN THIS REPORT.

The following facts are believed to have been fully established in this report:

First. That the Postmaster General's argument in favor of the reduction he now recommends is based upon such fundamental misconceptions of principles and facts, upon such incomplete and erroneous computations, and upon such fragmentary data and incorrect and misleading figures as to be totally unreliable and unworthy of serious consideration by the Congress.

Second. That (*a*) the Postmaster General neither fully nor correctly tabulated nor forwarded to Congress the original reports which he obtained from the railroads, and (*b*) in so far as comparisons can be made with the figures which he did submit, they do not warrant but are destructive to the conclusions and recommendations which he makes and tend strongly to demonstrate the inadequacy of the present payments for railway-mail facilities and services.

Third. That the Postmaster General's present recommendation of a further reduction of approximately $9,000,000 in annual railway mail pay follows a series of re-

ductions brought about by legislation or by departmental orders that have in less than five years diminished railway mail pay $8,532,148.75.

The committee on railway mail pay having therefore demonstrated that there is before Congress no showing entitled to serious consideration in favor of the further reduction recommended by the Postmaster General asserts that he should be required to make a complete disclosure of the facts in his possession and that the railways are entitled to demand, as of right, that before going further an at least plausible and prima facie case should be presented by the Post Office Department or that its unsupported proposal should be withdrawn or ignored.

The railways welcomed the inquiry into this commonly misunderstood subject and cooperated in obtaining the data sought because they believed, and still believe, that any investigation, conducted wisely and fairly, with due recognition of the established principles of transportation economics and with reasonable regard for the just guarantees of the Federal Constitution would leave no vestige of doubt that within the past five years the process of reduction in railway mail pay has been forced so far as to constitute an injustice to an industry upon which almost one-fifth of the population of the country is directly or indirectly dependent, and in the successful operation of which the entire country is concerned.

In the subsequent pages of this report the committee will seek to demonstrate the just right of the railways to receive from the Government that fair and reasonable relief which they had hoped it would be the pleasure of the Postmaster General to recommend and initiate.

### (B) RAILWAY MAIL PAY NOT EXCESSIVE BEFORE RECENT SERIES OF REDUCTIONS BEGAN

Having described, defined, and measured the extensive series of reductions to which the Postmaster General now seeks to add a still further reduction, it follows that the fact that these reductions have taken place is proof that the present railway mail pay is too low:

First. Unless such pay was too high before the reductions were effected, or,

Second. Unless the whole series and aggregate amount of these reductions were fully justified by changes in conditions that occurred during the period in which they took place.

The congressional Joint Commission to Investigate the Postal Service, which reported on January 14, 1901, is sufficient authority for the fact that on that date railway mail pay was not excessive. The late Senator William B. Allison, of Iowa; the late Senator Edward O. Wolcott, of Colorado; Senator Thomas S. Martin, of Virginia; the late Representative Eugene F. Loud, of California; former Representative W. H. Moody, of Massachusetts; and former Representative T. C. Catchings, of Mississippi, six of the eight members of the commission, united in the following:

"Upon a careful consideration of all the evidence and the statements and arguments submitted, and in view of all the services rendered by the railroads, we are of opinion that 'the prices now paid to the railroad companies for the transportation of the mails' are not excessive, and recommend that no reduction thereof be made at this time." (56th Cong., 2d sess., S. Doc. No. 89, pp. 19, 22, 25, 29.)

This expression was the result of prolonged, patient, and intelligent investigation by men whose patriotism, fidelity, and capacity has never been questioned. Their conclusions were sanctioned by the Congress to which they reported and the authority of their judgment has not been and can not now be impaired or diminished.

### (C) CHANGED CONDITIONS SINCE 1901 WOULD JUSTIFY INCREASED RATHER THAN REDUCED RAILWAY MAIL PAY.

No one will for one moment contend that there has been any net reduction in the cost of supplying railway mail services and facilities since the year in which the report of the Joint Commission to Investigate the Postal Service was rendered. In fact all changes, save possibly those in efficiency of organization and management have been in the opposite direction and it is well known that the economies effected by this means extend in but the smallest degree to the mail service. Consider, for example, that the large proportion of railway gross receipts from operation which goes to railway labor. Every item of cost of that character has greatly increased since the year 1901. In 1901 the railways reporting to the Interstate Commerce Commission received in gross from their operating sources the sum of $1,588,526,037 and expended in wages and salaries the sum of $610,713,701; in 1910 the corresponding totals were $2,750,667,435 and $1,143,725,306. Computations from these totals show that in 1901 the railways expended in wages and salaries $38.45 out of each $100 of gross operating receipts, while in 1910 the proportion had increased to $41.58, a differ-

ence of $3.13 in each $100 of gross receipts. This difference does not seem small, but it is hardly realized, except when the calculation is made, that on the basis of the gross receipts of 1910 it could amount, as it does, to an additional expense of $86,095,890.72. It is to be borne in mind that this largely increased payment to labor is in spite of the fact that a part of the increase in wage rates has been offset by higher efficiency in methods and facilities. Comparisons of rates of wages, from the annual statistical reports of the Interstate Commerce Commission, follow:

| Class of employees. | Average wages per day— | | |
|---|---|---|---|
| | 1901 | 1910 | Increase (per cent). |
| General office clerks | $2.19 | $2.45 | 11.87 |
| Station agents | 1.77 | 2.14 | 20.90 |
| Other station men | 1.59 | 1.91 | 20.13 |
| Enginemen | 3.78 | 4.34 | 14.81 |
| Firemen | 2.16 | 2.57 | 18.98 |
| Conductors | 3.17 | 3.73 | 17.67 |
| Other trainmen | 2.00 | 2.72 | 36.00 |
| Machinists | 2.32 | 3.03 | 30.60 |
| Carpenters | 2.06 | 2.39 | 16.02 |
| Other shopmen | 1.75 | 2.20 | 25.71 |
| Section foremen | 1.71 | 1.99 | 16.37 |
| Other trackmen | 1.23 | 1.57 | 27.64 |
| Telegraph operators and dispatchers | 1.98 | 2.16 | 9.09 |
| Employees, account floating equipment | 1.97 | 2.10 | 6.60 |
| All other employees and laborers | 1.69 | 1.96 | 15.98 |

Figures like the foregoing require no comment—they plainly show that in their relations with labor the railways could find evidence supporting a contention for higher railway mail pay, that this large element of cost supplies no justification whatever for any reduction.

During the year 1901 the railways reporting to the Interstate Commerce Commission expended $104,926,568 for locomotive fuel, in 1910 their expenditures for the same purpose aggregated $217,780,953. Comparing these figures with gross receipts from operation it is found that the cost in locomotive fuel of each $100 of gross receipts was $6.61 in 1901 and $7.92 in 1910, an additional cost of supplying railway services amounting, on the basis of the receipts of 1910, to $36,033,743.40. A further analysis of the supplies that must be purchased in order that railways may be maintained and operated would show that in the great majority of instances, and those affecting the largest aggregate of expenses, the upward tendency in prices has been as marked as in the case of fuel for locomotives. It is apparent, therefore, that in the matter of the cost of necessary materials and supplies, no justification for the recent reductions in railway mail pay, but rather reasons for a movement in the other direction, can be found.

If there are any facts in the transportation or industrial events of the last decade that have warranted reductions in railway mail pay below the reasonable level that existed in the year 1901, those facts have not, it is respectively submitted, been brought to the attention of Congress by the Postmaster General or in any other way, nor are they matters of public or general notoriety. No such facts are within the knowledge of the committee on railway mail pay nor have the members of that committee been informed that there is any claim that such facts do exist.

### (d) THE PASSENGER-TRAIN SERVICES ARE NOT REASONABLY REMUNERATIVE.

Railway managers have long realized that their passenger services are not directly productive in most cases of returns equal to their cost. In order to arrive at this conclusion as to the railways of the United States as a whole it is not necessary to resort to any plan of problematical accuracy for the apportionment of joint expenses. On the contrary, the discrepancies between average train-mile expenses for all classes of revenue-producing trains and the aggregate of the average train-mile receipts from all of the passenger-train services is so vast that it is at once apparent that it can not be bridged by any conceivable difference between the respective train-mile expenses of passenger and freight trains. The annual statistical report of the Interstate Commerce Commission for the fiscal year 1910 shows (p. 60) that the average receipts per

train-mile from all of the passenger-train services rendered during that year amounted to $1.30, while the average cost for operating expenses alone of running trains of all classes was $1.49 per mile. The latter average includes nothing whatever for taxes or for any return to investors. The available data indicate that reasonable allowances for these purposes would raise the average cost to approximately $2.25 per train-mile.

These figures must satisfy any candid inquirer that whatever difference a complete and detailed investigation might prove to exist between the cost of running the different classes of trains over equal distances, that difference can not equal the difference between the average train-mile cost of all trains and the average train-mile receipts of passenger trains. The averages thus amount to a demonstration of the truth that the passenger-train services as a whole are relatively unprofitable. It will presently be shown that of the three passenger-train services those rendered on behalf of the mails fall farthest below the standard of reasonable remuneration.

Document No. 105, however, itself contains convincing evidence of the unprofitableness of the passenger-train services as a whole. It is only necessary to supplement the Postmaster General's estimates of passenger-train expenses for operation and taxes, incomplete, inadequate, and far below the truth as they are, by figures showing the receipts from those services and the receipts and expenses of all railway services in order to demonstrate this fact. An accurate computation representing the month of November, 1909, made up wholly from Document No. 105 and the official reports of the Interstate Commerce Commission covering every railway for which the former shows an estimated operating and taxation cost of handling the mails of $10,000 or more (except the Grand Trunk system, for which the Interstate Commerce Commission does not report comparable data, and the Atchison, Topeka & Santa Fe, for which the Postmaster General used figures for January, 1910, instead of November, 1909, and also used different mileage from that covered by the reports of the Interstate Commerce Commission) affords this demonstration. The details of this computation are shown in Appendix A; the following are the results:

The foregoing aggregates are simply the totals of official figures including under that designation the Postmaster General's estimates of the amounts of operating expenses and taxes chargeable to the passenger-train services. Those in the column headed "All services" are the totals of figures found in Bulletin of Revenues and Expenses No. 10 issued by the Interstate Commerce Commission and No. 18 of the same series. The aggregate given for gross receipts of the passenger-train services is the total of the receipts from passengers reported by the Interstate Commerce Commission in the same bulletins plus the mail revenues of the same railways reported by the Postmaster General in Document No. 105 (Table 7, pp. 272–281) and plus one-twelfth of the express revenues of the same railways for the fiscal year containing the month of November, 1909, as reported by the Interstate Commerce Commission in its statistical report for 1910. The aggregate cost for operation and taxes for the passenger-train services is the total of the Postmaster General's estimate for these railways as shown by his table 7 (Document No. 105, pp. 272–281). The significance of these aggregates will be appreciated when it is noted that the railways which they represented earned, according to the Postmaster General's statement, in the month of November, 1909, $3,109,160.32 of mail pay, or 86.18 per cent of $3,607,773.13, the total represented in Document No. 105. As has been demonstrated herein, the Postmaster General's plan of apportioning expenses tends most strongly to understate the cost of the passenger-train services, yet even the misleading and inadequate estimates which he put forth in Document No. 105, when compared with the receipts, show that these services are so excessively costly that, if any allowance whatever is made for interest on the investment, they are unmistakably productive of much less than the fair average return necessary for the adequate remuneration of railway employees and a reasonable return upon railway investments.

| Item. | All services. | Passenger-train services. |
|---|---|---|
| Gross receipts | $170,042,915.51 | $43,719,689.67 |
| Operating expenses and taxes | $109,960,722.73 | $32,300,818.99 |
| Percentage of gross receipts required to meet operating expenses and taxes | 64.67 | 73.88 |

If the Postmaster General's method of apportionment had assigned its full and proper cost to the passenger department, the percentage of expense to receipts would have been much higher than 73.88 and the difference between such higher percentage and 64.67 per cent, which expresses the ratio of all expenses to all receipts, would have measured with accuracy the extent of the losses of the passenger-train services. With this qualification in mind, it is sufficient to repeat that the totals for the 46 railways represented disclose the fact that total operating expenses and taxes consumed 64.67 per cent of the gross receipts from all services, while 73.88 per cent of the aggregate receipts from all the passenger-train receipts only equals the inadequate portion of operating expenses and taxes assigned to those services by the Postmaster General. As the usual requirement for an aggregate sufficient to afford a reasonable rate of return on railway investments is approximately one-half of the total operating expenses, it is evident that where it is admitted that 73.88 of receipts is required to meet operating expenses and taxes there must be a very heavy total loss.

The situation which exists, under which the passenger business of almost all railways is conducted without adequate compensation, is not one with which the railways are satisfied nor has it arisen through their volition. It will certainly be admitted that they are warranted in asking that they be not required to accept relatively less for mail transportation than they receive from the other services rendered on their passenger trains.

### (E) RAILWAY GROSS RECEIPTS FROM MAIL TRANSPORTATION LOWER THAN FROM ANY OTHER PASSENGER-TRAIN SERVICES.

By adopting the car-foot mileage basis, which is substantially a space basis, for the apportionment of such passenger train expenses as he has seen fit to consider, the Postmaster General has, in effect, argued that car-foot mileage made in the mail service ought justly to produce as much revenue per unit thereof as the average unit of car-foot mileage made in the other passenger services. Present mail pay is seen to be inadequate when it is subjected to this test. Even the grossly reduced figures of car-foot mileage made in the mail service contained in Document No. 105, figures obtained, as hereinbefore fully shown, only after ignoring a great deal of space actually required for the mails and transferring a large quantity of other space so required to the passenger service, reveal this fact. Thus in Document No. 105, on page 59, all of the following figures are to be found:

| | |
|---|---|
| Car-foot mileage made in all passenger train services, total | 12,940,229,965.19 |
| Car-foot mileage made in the mail service, total | 926,164,458.83 |
| Proportion of car-foot mileage made in the mail service to car-foot mileage made in all passenger-train services, percentage | 7.16 |

Therefore, upon the Postmaster General's own showing, unless the railways earn $7.16 out of each $100 earned by their passenger trains by carrying the mails, their mail pay is too low. For the facts it is necessary to turn to the statistical reports of the Interstate Commerce Commission. The latest of these contain figures for the fiscal year 1910, and is appropriate for the purpose because that year includes the month covered by the Postmaster General's inquiry. On page 510 of this report it appears that the gross receipts from passenger-train services of the railways reporting to the commission for the fiscal year that ended with June 30, 1910, were as follows:

| Item. | Amount. | Per cent of total. |
|---|---|---|
| From the mails | $48,946,052 | 6.40 |
| From other passenger-train services | 715,827,302 | 93.60 |
| Total | 764,773,354 | 100.00 |

Thus, while the Postmaster General admits that 7.16 per cent of the car-foot mileage of passenger trains is required for the mail, and by inference that they ought to get 7.16 per cent of their passenger-train revenue from the same source, the official statistics, compiled by the great Federal agency that is especially charged with the duties of railway supervision, show that they derive only 6.40 per cent of their passenger-train revenues from the mails. The difference in these percentages may seem inconsequential, but it is not so to the railways which invariably find differences

between reasonable returns to their owners and actual losses expressed in the smallest ratios. In dollars and cents, based on the actual gross passenger-train receipts shown above, this difference of little more than three-quarters of 1 per cent (actually 0.76 per cent) amounts to $5,812,277.49, and it would have required an increase in the mail pay of 1910 of that amount to place the mail service on a parity with the other passenger-train services. And this figure results from using the much too low estimates of car-foot mileage made in the mail service adopted by the Postmaster General. The less complete but far more accurate figures compiled from the copies of the reports to the Postmaster General which are in the possession of the committee on railway mail pay and previously given in this report (see p. 20) compare with the Interstate Commerce Commission's figures as to gross receipts as follows:

| Service. | Percentages. | |
|---|---|---|
| | Car-foot mileage. | Gross receipts. |
| Passenger | 80.01 | 84.81 |
| Express | 10.67 | 8.79 |
| Mail | 9.32 | 6.40 |
| Total | 100.00 | 100.00 |

The same compilation (see p. 20) also shows that during the month covered by the Postmaster General's investigation each 1,000 car-foot mile made in the mail service produced, on the average, $3.23 in gross receipts; each 1,000 in express service, $3.86; and in the transportation of passengers, $4.42. These data absolutely establish the fact that the mail services rendered by the railways are the lowest paid of all their passenger-train services, and passenger-train services as a whole have already been shown to be commonly rendered without adequate return. It is fully believed that any candid consideration of the foregoing must lead to conviction that not only is the Postmaster General's recommendation of a further reduction in railway-mail pay unwarranted, and that any further reduction would be a gross injustice but also that reasonably fair treatment of the railways, their employees and owners, and the traveling and shipping public demands an increase in the total pay until it shall be somewhat commensurate with the pay for other and similar services.

### (f) RAILWAYS SHOULD BE PAID FOR APARTMENT CARS.

The system of railway-mail pay provided by law recognizes that railways ought not to be required to supply train space for distribution of mails en route without special compensation. It is obviously quite a different thing to provide a traveling post office, in which postal clerks are supplied with facilities for their duties identical with those performed in important distributing offices, from carrying the same bulk and weight of mail in closed and locked pouches. Yet while this difference is recognized in the law it is but imperfectly and inadequately recognized, for an arbitrary distinction is made between those traveling post offices which are 40 feet or more in length and those which are shorter, the former being specifically paid for and the latter being required to be supplied without special compensation. This injustice is admitted by the Postmaster General in Document No. 105, as follows:

"The laws now in force relative to railway mail pay provide * * * that an additional amount may be allowed for railway post-office cars when the space for distribution purposes occupies 40 feet or more of the car length. No additional compensation is allowed for space for distribution purposes occupying less than 40 feet of the car length. This distinction is a purely arbitrary one and without any logical reason for its existence." (Doc. No. 105, p. 3.)

The annual report of the Second Assistant Postmaster General for the fiscal year 1911 shows (p. 43) that on June 30, 1911, the railways, under this plan, were supplying 1,464 full postal cars, which were paid for, and 3,819 apartment cars, which were not paid for. Of the former 1,213 and of the latter 3,204 were in constant daily use, the remainder constituting the necessary reserve. Together these classes of cars were the working places of 15,461 postal clerks, and while being so used during the fiscal year

they traveled in the aggregate 313,383,045 miles. The following shows the distribution of this mileage between the different classes of cars, the payments on account of the class of cars paid for, and the average rate per mile of payment:

| Kind of car. | Miles run. | Payment to railways. | |
|---|---|---|---|
| | | Amount. | Average per mile run, in cents. |
| Full postal cars | 94,010,689 | $4,737,788.75 | 5.04 |
| Apartment cars | 219,372,356 | None. | None. |

The foregoing shows that the railways receive for the use of a car, which in every relation is to them the full equivalent at least of a standard passenger coach, only about the fares of two and one-half passengers at the low rate of 2 cents per mile. But even if they were paid one-third as much per mile run by apartment cars as they are per mile run by full postal cars, the 219,372,356 miles run by the former, for which they now receive nothing, would have produced $3,685,455.58 gross revenue in 1911. In Document No. 105 (Table 4, p. 65) the Postmaster General gives the following figures of car-foot mileage, which are exclusive of all spaces that he defines as "storage space" and "deadhead" space.

| Kind of car. | Car-foot miles during November, 1909. |
|---|---|
| Apartment cars | 430,944,968.10 |
| Postal cars | 364,633,119.64 |
| Total | 795,578,087.74 |

It has already been shown (see pp. 19–33) that these figures are too low, but, leaving that fact aside, they show that the space utilized in apartment cars amounted to 84.61 per cent of the space utilized in full postal cars. There can be no valid reason why the railways ought not to be paid as much for a car-foot mile, placed at the disposal of and utilized for the postal service, in an apartment car as for similar space in a full postal car. If they were so paid they would receive for apartment cars, on the basis of the Postmaster General's figures, 84.61 per cent of $4,737,788.75, their postal-car pay, or $4,008,643.06. Neither of these figures is offered as indicating the precise rate of payment for apartment cars which would be reasonable and just, but both serve approximately to suggest the lowest possible limit of the minimum payment which substantial justice would permit.

In this connection it must not be overlooked that the furnishing of traveling post offices is not a natural function of railway carriers nor one that is undertaken by them without reluctance. These cars, whether full postal cars or apartment cars, are not essential to the transportation service which is the normal purpose for which railways exist, but they are required by the Post Office Department in order that the labor of distribution may be performed while the mails are undergoing transportation. This is an obligation not assumed with relation to any other element of railway traffic. If the department could evolve a different method of serving the public the railways would welcome relief from the requirement to supply traveling post offices of any sort; would willingly surrender the meager compensation now received for the fraction of these offices which is paid for and would gladly confine their mail services to those of transportation only. But if such cars are necessary in order that the public may receive the service which it demands, the railways ought to be adequately and fairly paid for all of them.

(G) THE WEIGHT BASIS OF RAILWAY MAIL PAY SHOULD BE ASCERTAINED ANNUALLY.

There is no pretense, under the present system, that the railways are paid for all the mails which they carry. The weight basis is ascertained only once in four years and the weight resulting from these weighings of one year becomes the basis of payment for a period of four years beginning with the fiscal year which commences next after the year of the weighing. But the weight of mail carried never remains stationary; it is the exception that on any important route it does not increase during the whole four-year period. This is shown by the following table, which compares the results of the weighings of 1907 and 1911 on the first 40 routes shown in the reports for those years of the Second Assistant Postmaster General, for which comparable data are given:

| Number of route. | Length, in miles. | Average daily weight, in pounds. | | | | | |
|---|---|---|---|---|---|---|---|
| | | 1907 | 1911 | Increase. | | Decrease. | |
| | | | | Pounds. | Per cent. | Pounds. | Per cent. |
| 131001 | 190.07 | 12,584 | 11,802 | | | 782 | 6.21 |
| 131002 | 468.43 | 155,503 | 211,644 | 56,141 | 36.10 | | |
| 131003 | 46.99 | 1,721 | 1,483 | | | 238 | 13.83 |
| 131004 | 144.59 | 2,655 | 4,776 | 2,121 | 79.89 | | |
| 131005 | 49.35 | 18,623 | 21,758 | 3,135 | 16.83 | | |
| 131006 | 148.38 | 9,784 | 12,448 | 2,664 | 27.23 | | |
| 131007 | 80.10 | 4,681 | 5,497 | 816 | 17.43 | | |
| 131008 | 32.26 | 577 | 437 | | | 140 | 24.26 |
| 131009 | 116.57 | 1,287 | 1,641 | 354 | 27.51 | | |
| 131010 | 28.85 | 881 | 584 | | | 297 | 33.70 |
| 131012 | 131.00 | 3,009 | 4,283 | 1,274 | 42.34 | | |
| 131013 | 263.34 | 50,893 | 59,824 | 8,931 | 17.55 | | |
| 131014 | 119.74 | 65,754 | 94,626 | 28,872 | 43.91 | | |
| 131015 | 188.06 | 133,211 | 164,037 | 30,826 | 23.14 | | |
| 131016 | 448.59 | 34,763 | 32,502 | | | 2,261 | 6.50 |
| 131017 | 21.91 | 1,158 | 1,057 | | | 101 | 8.72 |
| 131019 | 428.32 | 43,694 | 43,407 | | | 287 | .66 |
| 131020 | 415.49 | 1,261 | 1,479 | 218 | 17.29 | | |
| 131021 | 15.45 | 117 | 129 | 12 | 10.26 | | |
| 131022 | 47.08 | 1,286 | 1,982 | 696 | 54.12 | | |
| 131023 | 202.89 | 21,708 | 21,095 | | | 613 | 2.82 |
| 131024 | 99.04 | 26,046 | 21,135 | | | 4,911 | 18.86 |
| 131025 | 300.87 | 16,821 | 20,029 | 3,208 | 19.07 | | |
| 131027 | 19.20 | 1,012 | 5,876 | 4,864 | 480.63 | | |
| 131028 | 195.35 | 30,631 | 24,854 | | | 5,777 | 18.86 |
| 131029 | 148.80 | 1,310 | 1,208 | | | 102 | 7.79 |
| 131030 | 331.17 | 574 | 474 | | | 100 | 17.42 |
| 131031 | 22.14 | 169 | 154 | | | 15 | 8.88 |
| 131032 | 190.92 | 217,029 | 295,564 | 78,535 | 36.19 | | |
| 131033 | 18.04 | 388 | 397 | 9 | 2.32 | | |
| 131034 | 316.18 | 11,574 | 12,048 | 474 | 4.10 | | |
| 131035 | 30.14 | 46 | 57 | 11 | 23.91 | | |
| 131036 | 76.82 | 3,628 | 3,801 | 173 | 4.77 | | |
| 131037 | 33.95 | 946 | 404 | | | 542 | 57.29 |
| 131038 | 44.04 | 634 | 952 | 318 | 50.16 | | |
| 131039 | 95.59 | 545 | 642 | 97 | 17.80 | | |
| 131040 | 110.89 | 1,345 | 1,240 | | | 105 | 7.81 |
| 131041 | 162.41 | 2,159 | 1,918 | | | 241 | 11.16 |
| 131042 | 50.00 | 528 | 586 | 58 | 10.98 | | |
| 131043 | 84.77 | 8,256 | 13,729 | 5,473 | 66.29 | | |

It should be noted that the routes illustrated in this table are 40 of the first 43 routes shown in the annual report for 1907, it having been necessary to omit routes 131011, 131018, and 131026, as the termini of 131011 and 131018 were changed between 1907 and 1911 and 131026 was vacant in the earlier year. Of the 40 routes shown, 24, or a little more than half, show increases and 16 show decreases. But from July 1, 1907, to June 30, 1911, inclusive, all payments were adjusted upon the basis of the weights

of 1907, so that during the entire period of four years whatever weights may have been carried there was no change in compensation. If there is a decrease in volume during the quadrennial period this system is unfair to the Government; if there is an increase it is unfair to the railways; but owing to the increase in national wealth, in business activity, and in population, it has always happened that the balance of unfairness has operated to produce a loss to the railways. The only rectification of this situation reconcilable with justice is to provide for more frequent—that is to say, for annual—weighings and readjustments of pay. No common carrier would be required or even permitted to contract to transport the entire output of any private enterprise during a four-year period for a fixed annual sum regardless of diminution or expansion in its volume. A contract covering so long a period at an unchanging aggregate payment is indefensible from every point of view and unjust alike to the public and to the railways.

### (H) TERMINAL SERVICES ON LIGHT ROUTES SHOULD BE PAID FOR.

Two or three generations ago, when mail transportation was principally by stages, and railways were in their early infancy, it was not considered a hardship that, where the stage terminal was within 80 rods of a post office, the stage should be asked to make a sufficient extra journey or detour to take up and deliver the mail pouches at the post office. It is a curious consequence of the feeble beginnings of the railway industry that when the mails began to be carried over tracks of iron, in vehicles which could not deviate from their rights of way, this requirement was extended and the railway required to receive and deliver mails at all post offices located within 80 rods of any station. And it is irresistible proof of the persistent force with which the Post Office Department has continually imposed its will upon the railways that the practice still continues, although in many instances, on the lighter routes, the cost of performing this service exceeds the entire mail pay for the route. This abuse is most frequent on those railways which are the least adequately paid, and it would be but reasonable to ask that they either be relieved of this burden or that the compensation of the lighter routes be readjusted on a basis enough higher than that now in force to eliminate these heavy losses.

## V. CONCLUSION.

This report of the committee on railway mail pay has discussed, as fully as a proper regard for the time of its members and the extraordinary importance of the subject warrant, the conditions under which the railways serve as auxiliaries to the postal service and their compensation for the indispensable services and facilities which they render.

It has been shown that the recommendations of the Postmaster General contained in Document No. 105 are not founded in justice or based upon accurate statements of fact or sound transportation principles.

It has been shown that, in the course of the investigation reported in that document, the Postmaster General collected illuminative data which he finally withheld from Congress as to (a) cost to the railways of supplying extraordinary station services and terminal facilities for the mails (see pp. 66–69); (b) cost of furnishing a large volume of personal transportation, not in postal cars, to officers and representatives of the Post Office Department (see pp. 69–70); and (c) relative returns from passenger, express, and mail traffic (see pp. 70–71).

It has been shown that the most fundamental data as to train space occupied respectively by the mails and by passengers, accurately reported by the railways, were arbitrarily changed and modified for the report so as greatly to diminish the former and to augment the latter and that these changes operated so as to diminish the estimated cost of the mail service (see pp. 71–80).

Further, it has been shown that the data used as the basis of Document No. 105, relating to the single month of November, represent a month in which passenger expenses are actually far below the average or normal level and are abnormally low as compared with freight expenses (see pp. 85–89).

And still further, it has been shown that railway mail pay has been reduced fully 20 per cent within the period of about 10 years which began with the declaration of the Joint Commission to Investigate the Postal Service that it was not excessive, while during the same period substantially all the expenses of rendering these postal services have greatly increased per unit of such services (see pp. 89–110).

Finally, that railway mail pay is plainly and demonstrably inadequate at the present time (see pp. 110–115).

And reasonable measures for providing more adequate and reasonable compensation have been pointed out (see pp. 115–118).

As a final word, the committee on railway mail pay urges that, in justice to the great interests which it represents, in justice to millions of railway employees whose arduous and responsible services are not overpaid, in justice to hundreds of thousands of depositors in savings banks and owners of policies of insurance and frugal investors everywhere, in justice to millions of workers in thousands of industrial enterprises whose prosperity depends upon services which only solvent railways can suitably render, that, if any doubt remains, as to the propriety of the relief herein recommended an effort be made to have the voluminous data in the possession of the Postmaster General laid before Congress, to the end that the facts herein set forth may be fully substantiated. When those data are completely, accurately, and fully tabulated, with such other facts as may be necessary to illuminate and explain them, no scintilla of doubt as to the urgent necessity of substantial relief can remain.

All of which is respectfully submitted.

## APPENDIX A.

| Railway. | Gross receipts. | | | | | Operating expenses and taxes. | | | | Percentage of gross receipts required to pay operating expenses and taxes. | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | All services.[1] | Passenger train services. | | | | All services. | | | Passenger train services.[2] | All services. | Passenger train services. |
| | | Passenger.[1] | Mail.[2] | Express and miscellaneous.[3] | Total. | Operating expenses.[1] | Taxes.[1] | Total. | | | |
| Atlantic Coast Line | $2,746,291.85 | $550,023.99 | $50,759.95 | $87,504.17 | $688,288.11 | $1,553,292.95 | $95,500.00 | $1,648,792.95 | $595,343.33 | 60.04 | 86.50 |
| Baltimore & Ohio | 7,351,675.33 | 1,079,854.92 | 98,015.98 | 184,180.00 | 1,362,050.90 | 4,907,585.60 | 190,399.28 | 5,097,984.88 | 991,910.95 | 69.34 | 72.82 |
| Boston & Maine | 3,746,625.98 | 1,121,090.39 | 36,768.08 | 140,496.42 | 1,298,354.89 | 2,542,320.45 | 181,926.79 | 2,724,247.24 | 940,695.71 | 72.71 | 72.45 |
| Central of Georgia | 1,117,426.72 | 277,236.97 | 19,497.36 | 27,244.50 | 323,978.83 | 694,757.56 | 55,200.00 | 749,957.56 | 261,590.01 | 67.11 | 80.74 |
| Chesapeake & Ohio | 2,657,437.78 | 384,030.56 | 30,094.49 | 53,865.92 | 467,990.97 | 1,575,411.37 | 67,500.00 | 1,642,911.37 | 287,179.32 | 61.82 | 61.36 |
| Chicago & North Western | 6,586,681.66 | 1,523,824.64 | 125,284.69 | 262,996.08 | 1,912,105.41 | 4,526,768.73 | 228,000.00 | 4,754,768.73 | 1,604,881.83 | 72.19 | 83.93 |
| Chicago, Burlington & Quincy | 7,952,241.38 | 1,812,338.67 | 194,737.01 | 238,022.84 | 2,245,098.52 | 5,452,830.37 | 215,587.31 | 5,668,417.68 | 1,642,878.81 | 71.28 | 73.18 |
| Chicago, Indianapolis & Louisville | 509,224.10 | 113,855.33 | 15,110.47 | 16,904.67 | 145,870.47 | 311,043.57 | 20,500.00 | 331,543.57 | 108,704.63 | 65.11 | 74.52 |
| Chicago, Milwaukee & St. Paul | 5,956,752.24 | 1,048,180.63 | 141,439.42 | 183,781.08 | 1,373,401.13 | 3,871,360.09 | 206,636.73 | 4,077,996.82 | 1,242,158.59 | 68.46 | 90.44 |
| Chicago, Rock Island & Pacific | 5,467,794.47 | 1,494,286.72 | 111,982.68 | 175,205.50 | 1,781,474.90 | 3,935,332.18 | 222,117.85 | 4,157,450.03 | 1,200,583.25 | 76.04 | 67.39 |
| Chicago, St. Paul, Minneapolis & Omaha | 1,427,236.73 | 370,688.40 | 22,873.56 | 44,979.17 | 438,541.13 | 836,298.76 | 53,007.84 | 889,306.60 | 296,222.44 | 62.31 | 67.55 |
| Cleveland, Cincinnati, Chicago & St. Louis | 2,584,503.85 | 567,050.39 | 60,719.79 | 88,140.92 | 715,911.10 | 1,753,029.97 | 74,000.00 | 1,827,029.97 | 633,556.41 | 70.69 | 88.50 |
| Colorado & Southern | 901,747.65 | 115,711.29 | 6,791.03 | 16,620.25 | 139,122.57 | 546,992.11 | 21,625.00 | 568,617.11 | 132,725.23 | 63.06 | 95.40 |
| Delaware, Lackawanna & Western | 3,232,599.29 | 539,948.09 | 16,719.82 | 131,716.33 | 688,384.24 | 1,605,175.09 | 151,600.00 | 1,756,775.09 | 609,139.82 | 54.35 | 88.49 |
| Denver & Rio Grande | 2,117,055.67 | 437,027.75 | 25,481.90 | 36,698.67 | 499,208.32 | 1,429,691.51 | 71,000.00 | 1,500,691.51 | 410,708.68 | 70.89 | 82.27 |
| Erie | 4,240,370.51 | 693,459.23 | 36,037.32 | 179,844.17 | 909,340.72 | 2,545,297.61 | 108,929.81 | 2,654,227.42 | 867,693.82 | 62.59 | 95.42 |
| Great Northern | 6,135,464.96 | 1,151,914.24 | 121,514.98 | 101,592.75 | 1,375,021.97 | 2,975,897.19 | 318,650.07 | 3,294,547.26 | 1,049,938.59 | 53.70 | 76.36 |
| Illinois Central[4] | 6,247,758.24 | 1,212,311.83 | 90,932.45 | 186,196.83 | 1,489,441.11 | 4,188,565.17 | 246,547.53 | 4,435,112.70 | 968,704.31 | 70.99 | 65.04 |
| International & Great Northern | 875,667.60 | 172,982.51 | 18,231.82 | 15,637.92 | 206,852.25 | 640,305.90 | 22,000.00 | 662,305.90 | 199,448.19 | 75.63 | 96.42 |
| Lake Shore & Michigan Southern | 4,092,945.97 | 770,375.68 | 177,198.22 | 185,091.25 | 1,132,665.15 | 2,457,643.72 | 125,000.00 | 2,582,643.72 | 684,567.20 | 63.10 | 60.44 |
| Lehigh Valley | 3,302,219.81 | 308,898.77 | 16,205.74 | 47,757.17 | 372,861.68 | 1,836,042.20 | 94,600.00 | 1,930,642.20 | 334,421.46 | 58.47 | 89.69 |
| Louisville & Nashville | 4,540,696.51 | 857,273.50 | 71,802.43 | 136,531.92 | 1,065,607.85 | 2,702,231.44 | 125,445.00 | 2,827,676.44 | 598,416.17 | 62.27 | 56.16 |
| Maine Central | 755,177.28 | 221,213.44 | 15,489.10 | 20,679.17 | 257,381.71 | 490,253.17 | 39,141.09 | 529,394.26 | 179,082.12 | 70.10 | 69.58 |
| Michigan Central | 2,526,762.00 | 518,316.10 | 30,230.48 | 128,968.25 | 677,514.83 | 1,604,688.83 | 94,000.00 | 1,698,688.83 | 483,429.79 | 67.23 | 71.35 |
| Minneapolis, St. Paul & Sault Ste. Marie | 1,589,796.34 | 295,446.75 | 39,098.94 | 47,202.17 | 381,747.86 | 692,877.57 | 80,683.30 | 773,560.87 | 385,204.67 | 48.66 | 100.91 |
| Missouri Pacific | 2,238,279.37 | 364,784.01 | 63,118.37 | 49,353.58 | 477,255.96 | 1,679,671.99 | 80,401.00 | 1,760,072.99 | 456,351.46 | 78.64 | 95.62 |
| Nashville, Chattanooga & St. Louis | 989,554.23 | 204,743.23 | 21,342.35 | 25,312.08 | 251,397.66 | 702,540.14 | 20,500.00 | 723,040.14 | 202,173.22 | 73.07 | 80.42 |
| New York Central | 8,441,637.63 | 2,200,319.12 | 212,003.25 | 418,342.84 | 2,830,665.21 | 5,638,422.85 | 434,592.01 | 6,073,014.86 | 2,096,398.21 | 71.94 | 74.06 |
| New York, New Haven & Hartford | 5,161,870.05 | 2,054,786.92 | 53,180.84 | 289,537.75 | 2,397,505.51 | 3,218,818.37 | 330,000.00 | 3,548,818.37 | 1,599,439.85 | 68.75 | 66.71 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Norfolk & Western | 2,990,353.41 | 301,604.26 | 28,262.38 | 43,845.33 | 373,711.97 | 1,696,813.58 | 84,000.00 | 1,780,813.58 | 283,374.25 | 59.55 | 75.83 |
| Northern Pacific | 6,690,435.59 | 1,589,092.60 | 86,916.81 | 157,051.17 | 1,833,060.58 | 3,801,081.14 | 254,237.00 | 4,055,318.14 | 1,327,401.96 | 60.61 | 72.41 |
| Oregon Railroad & Navigation Co | 1,311,040.03 | 329,427.17 | 24,351.14 | 27,517.67 | 381,295.98 | 739,321.15 | 92,190.15 | 831,511.30 | 313,078.49 | 63.42 | 82.11 |
| Oregon Short Line | 1,906,918.48 | 402,758.23 | 34,205.47 | 38,766.92 | 475,730.62 | 756,796.80 | 50,000.00 | 806,796.80 | 300,295.15 | 42.31 | 63.12 |
| Pennsylvania Co | 4,742,466.38 | 564,052.36 | 84,043.34 | 149,686.50 | 797,782.20 | 2,841,621.49 | 150,280.00 | 2,991,901.49 | 513,350.50 | 63.09 | 64.35 |
| Pennsylvania Railroad | 14,157,551.76 | 2,531,694.80 | 203,126.54 | 461,307.67 | 3,196,129.01 | 8,682,285.27 | 197,526.18 | 8,879,811.45 | 2,056,327.76 | 62.72 | 64.34 |
| Pere Marquette | 1,390,746.52 | 288,483.16 | 20,437.61 | 40,487.08 | 349,407.85 | 944,300.28 | 47,372.37 | 991,672.65 | 267,734.17 | 71.31 | 76.63 |
| Philadelphia & Reading | 3,953,650.18 | 538,466.95 | 11,797.66 | 80,793.25 | 631,057.86 | 2,349,535.05 | 73,385.80 | 2,422,920.85 | 692,222.10 | 61.28 | 109.69 |
| Philadelphia, Baltimore & Washington | 1,501,350.28 | 586,008.12 | 30,239.04 | 104,572.75 | 720,819.91 | 1,063,510.37 | 35,771.59 | 1,099,281.96 | 469,729.03 | 73.22 | 65.17 |
| Pittsburgh, Cincinnati, Chicago & St. Louis | 3,406,473.63 | 560,176.40 | 98,434.79 | 131,669.33 | 799,280.52 | 2,125,005.14 | 105,017.00 | 2,230,022.14 | 525,545.13 | 65.46 | 65.75 |
| St. Louis, Iron Mountain & Southern | 2,420,798.41 | 409,755.54 | 56,778.25 | 53,781.67 | 520,315.46 | 1,377,773.78 | 69,866.00 | 1,447,639.78 | 386,702.58 | 59.80 | 74.32 |
| Seaboard Air Line | 1,734,707.44 | 344,239.20 | 39,098.03 | 61,304.42 | 444,641.65 | 1,107,362.51 | 59,418.00 | 1,166,780.51 | 365,049.21 | 67.26 | 82.10 |
| Southern Pacific | 8,385,436.25 | 2,407,610.61 | 161,861.70 | 220,627.92 | 2,790,100.23 | 4,362,017.01 | 240,062.62 | 4,602,079.63 | 2,032,926.66 | 54.88 | 72.86 |
| Texas & Pacific | 1,599,683.71 | 319,801.22 | 26,430.05 | 35,815.58 | 382,046.85 | 969,314.56 | 77,761.95 | 1,047,076.51 | 259,211.28 | 65.46 | 67.85 |
| Union Pacific | 4,993,899.51 | 909,113.67 | 172,638.78 | 113,865.75 | 1,195,618.20 | 2,186,435.63 | 142,174.98 | 2,328,610.61 | 829,380.47 | 46.63 | 69.37 |
| Vandalia | 834,500.62 | 164,253.65 | 43,209.69 | 24,468.50 | 231,931.84 | 606,633.06 | 24,086.06 | 630,719.06 | 144,261.49 | 75.58 | 62.20 |
| Wabash | 2,529,408.11 | 549,735.21 | 64,666.52 | 77,316.25 | 691,717.98 | 1,693,034.28 | 64,494.92 | 1,757,529.20 | 470,680.69 | 69.48 | 68.05 |
| Total | 170,042,915.51 | 35,267,247.22 | 3,109,160.32 | 5,343,282.13 | 43,719,689.67 | 104,217,987.56 | 5,742,735.17 | 109,960,722.73 | 32,300,818.99 | 64.67 | 73.88 |

[1] As reported by the Interstate Commerce Commission in Bulletin of Revenues and Expenses of Steam Roads No. 10 and No. 18.
[2] As stated by the Postmaster General in Document No. 105.
[3] One-twelfth of the total receipts from express, excess baggage, milk carried on passenger trains, parlor and chair car receipts, and miscellaneous passenger receipts during the fiscal year 1910 as reported by the Interstate Commerce Commission.
[4] Including, also, Indianapolis Southern and Yazoo & Mississippi Valley.

EXPLANATION.—This table contains data for 46 railways, being all that appear in Postmaster General's Table 7 (Document 105, pp. 272–281) for which that table states operating expenses and taxes chargeable to the mails, during November, 1909, of $10,000 or more, with the exception of the Grand Trunk system, for which comparable data are not reported by the Interstate Commerce Commission, and the Atchison, Topeka & Santa Fe, for which the figures used by the Postmaster General are those of the month of January, 1910. It represents $3,109,160.32 out of $3,607,773.13 of mail revenue included in that table, or 86.18 per cent. Its purpose is to show that even using the extremely low and erroneous estimates of operating expenses and taxes chargeable to the mail service made by the Postmaster General, the disparity between the ratio of these expenses to revenues, for the passenger services is so great as to leave no room for the belief that (with any reasonable allowance for a return to investors upon the fair value of the property used in the service of the public) the passenger-train services as a whole are adequately remunerative.

Of the 46 railways included, 2 show a ratio of operating expenses and taxes apportioned to the passenger-train services by the Postmaster General of over 100 per cent, 5 over 90 per cent, 10 over 80 per cent, 12 over 70 per cent, 16 over 60 per cent, and only 1 under the latter percentage. The ratio for all the railways in the table is 73.88 per cent.

Mr. PETERS. You will find some very valuable information in that brief. Our committee, in closing that brief, as a final word urges:

That in justice to the great interests which it represents, in justice to millions of railway employees whose arduous and responsible services are not overpaid, in justice to hundreds of thousands of depositors in savings banks and owners of policies of insurance and frugal investors everywhere, in justice to millions of workers in thousands of industrial enterprises whose prosperity depends upon services which only solvent railways can suitably render, that if any doubt remains as to the propriety of the relief herein recommended, an effort be made to have the voluminous data in the posession of the Postmaster General laid before Congress, to the end that the facts herein set forth may be fully substantiated.

The CHAIRMAN. You want that in the record in addition to what we already have?

Mr. PETERS. Yes; that is in addition.

The CHAIRMAN. Could you furnish for the information of the commission your data and your method of deduction on which you make your statement on page 11 that the car-foot mile return from mail is 3.21 mills and from other service 4.35 mills.

Mr. PETERS. That is set forth here in our preliminary report. (Exhibit A.)

The CHAIRMAN. All the data and information on which you draw that deduction is not contained in this preliminary report?

Mr. PETERS. No; it was taken from the reports that went to the Post Office Department.

The CHAIRMAN. Have you copies of those?

Mr. PETERS. Only part of them. They are with the department, and I have no doubt most of that information was tabulated and could readily be worked out. You asked for some information as to the relative pay received by the railroads for the transportation and hauling of express matter as compared with hauling and transportation of the mail per ton-mile. I had that worked out by Mr. Bradley, and I would like to read his letter, which was addressed to me. I have not addressed it to you, but I can do so.

TON-MILE RATE FOR EXPRESS AND UNITED STATES MAIL.

THE PENNSYLVANIA RAILROAD CO.,
GENERAL OFFICE, BROAD STREET STATION,
*Philadelphia, January 25, 1913.*

Mr. RALPH PETERS,
*Chairman Committee on Railway Mail Pay,*
*Pennsylvania Station, New York, N. Y.*

DEAR SIR: At our recent interview in Washington, Senator Bourne requested a statement showing the pay received by the railroad companies per ton-mile for the transportation of express matter as compared with the rate per ton-mile for the transportation of the United States mail in connection, with my verbal statement that the two rates were not materially different. I have assembled some facts and references in regard to the matter and submit them herewith:

*Express traffic, ton-mile rate.*—The First Annual Report of the Interstate Commerce Commission on the Statistics of Express Companies for the year ending June 30, 1909, contains a table on page 19 which shows that the average tonnage revenue per pound received by the railroad companies from the express companies is 0.74 cents, or about three-fourths of a cent. This rate per pound is equivalent to $14.80 per ton carried the average distance. It is only necessary to divide this by the average haul of express matter to get the rate per ton-mile.

In the Interstate Commerce Commission's report, opinion 1967, In re Express Rates, Practices, Accounts and Revenues, page 429, third paragraph, it is stated, "the average distance which a package of any size is now hauled by the express company is about 200 miles." Dividing $14.80 by 200 we obtain the rate of 7.4 cents per ton-mile. The Bureau of Railway Economics in its study of the parcel post quoted the results of calculations as 7.7, and 7.5 cents per ton-mile, but I do not

know what data they used. However, all three rates quoted above, 7.4, 7.7, and 7.5 cents per ton-mile are not materially different.

*United States mail, rate per ton-mile.*—I am informed that the Post Office Department reported to the Hughes Commission for the Investigation of Second Class Postage Rates that the ton-mileage of the mails carried on the railroads as of July 1, 1908, was 489,150,814 ton-miles. The average rate of expenditure for the transportation of the mails on railways on that date, as given in the report of the Post Office Department, was $44,718,948.26, or 9.1 cents per ton-mile. About the same time Mr. Kruttschnitt had the mail ton-mileage on railways computed for use in his pamphlet on railway mail pay and published the figures as 484,683,135 ton-miles as of June 30, 1908. The annual rate for railway mail transportation on June 30 was $44,722,985.47, thus giving a rate of 9.22 cents per ton-mile.

These rates per ton-mile for mail can be computed as of June 30, 1912, by using the ratios of the year 1907 in relation to the weight of paid second-class mail matter which is published by the department in the annual report.

Observing that the ton-mileage of all the mails carried by the railroads on July 1, 1908, was 489,150,814 and that the weight of paid second-class matter for the year ended June 30, 1908, was 347,432 tons, it is evident that the ratio was 1,408 ton-miles for all mail and equipment to each ton of second-class matter mailed. Applying this ratio to the weight of paid second-class matter for the fiscal year 1912, which was 469,957 tons, we obtain a ton-mileage for all mail and equipment of 661,000,000 ton-miles. Dividing this last amount into the railroad pay for the transportation of the mails which on June 30, 1912, was at the rate of $46,336,293.86, we arrive at a rate of 7.01 cents per ton-mile.

Further, if the ton-mileage had been based upon a simultaneous weighing in 1912 of the mails all over the United States instead of upon four sectional weighings in portions of the country from 1909 to 1912, inclusive, the ton-mileage would naturally be higher and the rate per ton-mile lower than the figures just quoted.

During the last investigation of railway mail pay by a joint commission of Congress in 1900, Prof. Adams shows (vol. 2, p. 253) that the rate per ton-mile for mail transportation on railroads declined from 20.195 cents in the year 1880 to 11.254 cents in 1898. The above illustrations show that the reduction has continued in accordance with the automatic downward scale prescribed in the law.

The legal rate of pay to a railroad carrying above 5,000 pounds average daily weight is $20.30 per ton per mile per year, or 5.561 cents per ton-mile. After the weight becomes 48,000 pounds the ton rate per mile per year for additional weights is $19.24, which is equivalent to 5.271 cents per ton-mile. The automatic reduction in the scale of rates as prescribed in the existing law brings the current rate constantly toward these minima accordingly as the tonnage increases.

Assembling for close comparison the rates alluded to above, we have the following:

*Transportation rate per ton-mile.*

| United States mails for the year— | Cents. |
|---|---|
| 1880 | 20.1 |
| 1898 | 11.2 |
| 1908 | 9.1 |
| 1912 | 7 |
| United States mails, legal minimum | 5.27 |
| Express traffic, 1909 | 7.4 |

Congressman Lewis frequently quotes the rate paid the railroads for transporting the mails as 13.2 cents per ton-mile excluding the weight of equipment, and matches this against the rate for express traffic of 7.4 cents per ton-mile, which he says also excludes the weight of the equipment. Possibly he does not understand that in the case of the mails the term "equipment" means the pouches and sacks which inclose the mail in transit and which not only protect the mail against abrasion and from exposure to the weather, but also (and most important) preserve the identity of the separations and sortations that have been made at a heavy cost for expert clerical labor of post-office clerks and railway postal clerks. The mail bags are, therefore, a necessary and component part of the mail traffic, just as are the postage stamps on the letters or the strings that tie up the package of letters or any other auxiliaries that might be considered as "equipment." The mail bags compose about 35 per cent of the total weight of mail traffic carried by the railroads according to estimates of the Second Assistant Postmaster General, but are an essential and indispensable part of the weight to be transported.

In the express traffic the situation is entirely different. The equipment may be said to consist of only a few trunks and safes, which are used to inclose very small packages and valuable packages. Those who are familiar with the express traffic

estimate that the relative weight of these trunks and safes to the total tonnage of express matter transported would be much less than 1 per cent.

Consequently, the comparisons above made are in substantial conformity with the weights carried by the railroad companies, both for mail and express, while the method used by Congressman Lewis reaches a result by excluding a large item necessarily associated with the mail service and matching it with a similar item in the express service which does not exist in anything like the same proportion.

Mr. LLOYD. Does not that mean this, that in a matter of the mail the pouch is to be returned as an empty. In the matter of express, that which incloses the thing transported is not returned, if it is in a box or a crate, but it is retained by the individual. It is true that he has paid for it in transit but the Government has also paid for the mail sacks in transit, but it has to pay for the transit back because it is empty equipment?

Mr. PETERS. That is right.

Mr. STEWART. You must not overlook the fact that we are sending the empties back by freight.

Mr. LLOYD. I understand, but I think the distinction Mr. Bradley is undertaking to make is the fact that with the express you do not return the case in which the goods are shipped, while in the case of the mail you do return the sack in which it is forwarded.

Mr. STEWART. I assumed that you estimated that the mails increased in the same ratio between 1908 and 1912?

Mr. BRADLEY. I tested that by reference to the ratios in previous years, and while I haven't that in there it was thoroughly dependable. I think if the postal car is added it would add not quite 1 cent; I think about eight-tenths or nine-tenths of a cent.

Mr. STEWART. I think you would find it a little more than that. For instance, our figures for 1908 were made on both bases, and my recollection is that adding the postal-car pay brought it up to nearly 11 cents—10 and some fraction of a cent.

Mr. BRADLEY. I do not think it would be as much as that.

Mr. PETERS. I attached to that letter of Mr. Bradley's a chart showing the rate per ton per mile in cents showing automatically how it goes down with the increased weight. On the small roads with 300 pounds it is about $1.50 per ton-mile, and it goes down to around 7 cents per ton-mile on the very heavy weights. That is fully set forth in our principal brief. The last paragraph of the letter is as follows:

The data quoted above would be serviceable, I think, in enabling the Interstate Commerce Commission in conjunction with the Post Office Department to certify to the approximate rate per ton-mile obtained by the railroad from express or mail traffic transported.

Yours, truly, V. J. BRADLEY.

Mr. STEWART. I would like to call attention to the further fact that the figures for 1912 include the cheap rate for freight shipments.

Mr. PETERS. That was merely to reach a basis for a calculation.

The CHAIRMAN. You were present before we took a recess when an extract was read from Postmaster General Vilas's report of 1887 in reference to the R. P. O. cars, and I requested you to present a statement so that the committee might have such information as would have a bearing upon that particular subject. Would you be able to prepare such a statement and file it with the committee in order that we might insert it in the record by to morrow morning?

Mr. BRADLEY. I think we can have it for you by to-morrow morning. I will do my best to have that.

Thereupon, at 10.05 o'clock p. m., the commission adjourned until 11 o'clock a. m. Wednesday, January 29, 1913.

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## WEDNESDAY, JANUARY 29, 1913.

JOINT COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The joint committee met, pursuant to adjournment, at 11 o'clock a. m.

Present: Senator Jonathan Bourne, jr. (chairman), Senator Harry A. Richardson, Senator John A. Bankhead, Representative James W. Lloyd, Representative William E. Tuttle, jr., and Representative John W. Weeks.

## STATEMENT OF MR. RALPH PETERS—Continued.

The CHAIRMAN. Mr. Peters, yesterday we requested that as soon as practicable you prepare a statement to file with the commission in reference to your comments on the extracts read and included in the hearing from ex-Postmaster General Vilas's report of 1887. How soon do you think you will be able to have that statement prepared and submitted to the committee?

Mr. PETERS. It will take at least two weeks.

The CHAIRMAN. That will be satisfactory to the members of the commission, I take it. Now, to sum up your views, and, as I understand, not only your own but the views of your associates, representing practically 214,000 out of 250,000 miles of railway in the United States, you are greatly opposed to the enactment of either of the bills suggested by the department, the effect of which would be to substitute space for weight as the basis of the service rendered, are you not?

Mr. PETERS. Our committee is practically united on that. The position of the railways in regard to the space basis is united. The New England roads were willing to take a space basis, or some basis that would give them full compensation for the service performed, so that they would get back a little more than a dollar for every dollar that they spent in the service. They felt that their loss was $1,000,000 a year, and they were unable to figure out on the weight and space combined, or the space alone, how they would get that full return, but they wanted to consider those points. The authorities in the railroads who have studied this question most carefully for the past 30 years all agree that weight must be the gauge and space merely an incidental.

Mr. WEEKS. Do you think the position taken by the New England railroads from their standpoint is sound?

Mr. PETERS. I think they are sound in wanting to be fully compensated. The question is how to get that, and that is the case with all of us. We only want what is fairly compensatory for the service

rendered and the weight may not always bring it. The difficulty seems to be in this point that it is a universal service under universal conditions, alike everywhere. Every contractor must be paid as fairly as every other. You can not make a different rate for each different road in the country, as is proposed under this space basis, out of cost rates.

Mr. WEEKS. Will you point out how the conditions which relate to the New England road differ from those of other roads?

Mr. PETERS. Relating to our own roads?

Mr. WEEKS. Yes.

Mr. PETERS. Or to the small roads?

Mr. WEEKS. Yes.

Mr. PETERS. The very large roads have a concentrated or heavy load of mail and may get a fairly reasonable compensation for the volume that they have and the ability to carry the mail in concentrated quantities. A road like the Long Island, with 250 trains carrying more or less mail every day, has its energies so scattered that it is hard to fix any basis that will fairly compensate it. The New England roads are very much like the Long Island, or like the West Jersey & Seashore, or your other roads in dense population where you have frequency of service. It is very doubtful if the space basis could be fixed or arranged so as to give them the complete compensation there, but you have to take the country as a whole in this and take the railroads as a whole to fix a basis that can not be manipulated and left entirely in one man's power.

Mr. WEEKS. Would it be possible in a segregated section like Long Island or New England to have a separate arrangement or different arrangement from that which obtains in other parts of the country? The Long Island Railroad is the only railroad on Long Island, is it not?

Mr. PETERS. Yes; barring a few rapid transit trolley lines, but our case can probably be cared for under the rate for electric railroads, or at least portions of it can be.

Mr. WEEKS. That can be done in New England, in your opinion?

Mr. PETERS. As they electrify their railroads they can to a certain extent; but I do not think it could cover all the rates. The difficulty is when you get to making different rates for each section, you have more complications in the matter, and you have to legislate for each particular section in establishing rates for those sections, and they have to be carefully worked out. I know we have not studied that point. We feel that we should not be absolutely in the power of a Government officer. Under the space basis law, as is proposed, the Government officer allots the space, he makes the regulations, and those regulations are most burdensome, and they are the instrumentalities that make so much difficulty in all relations with the Government in the handling of the mails. He makes a regulation as to the carriage of his postal clerks to and from their homes, and for the free transportation of the postal inspectors and he makes various regulations, as shown in our testimony, which we have submitted. Under the space basis he will fix the space and then he will fix the rate at which that space is to be paid for, as based on cost. The power is taken from Congress, the railroads have no recourse except an appeal, indirectly to the Commission through the Postmaster General. The thought in our minds is that it should not be the province of the de-

partment to force a maximum service for a minimum pay, but get the best service for the Government in the handling of the mails at a reasonably fair compensation to its contractors.

Our committee have offered its services to this commission to go into the very bottom of this thing, to study it in all its light, and if we can get something better than the weight and space basis, to do it, but from our experience in the past 40 years, and from the experience of all those who have studied the matter, we feel that the weight and space basis with relief from the side service, together with annual weighing and pay for the apartment cars is the best and fairest basis. President McCrea, of the Pennsylvania Railroad, made a very thorough study of this matter and appeared before one of the commissions some 16 years ago. His conclusion then was that the weight, with additional compensation for the space, like a post-office car, would be the proper basis. In talking to him a short time ago he said he had seen no reason to change his views. Mr. Krutschnitt, who appeared before the commission about 10 years ago, reached the same conclusion. All of the gentlemen who are associated with me have been either in the Government employ or the railroad employ for the last 20 years in connection with the handling of the mails, and they all have the same view.

Mr. LLOYD. Your objection to the space basis is not so much directed to that as a means of determining compensation as it is to the administrative methods by which the amount of space is determined. In other words, you do not wish to place yourselves in the position that the Government itself will absolutely control the amount of your compensation.

Mr. PETERS. Not only that, but we object to being loaded down with double the amount of service in a limited space. There is the whole object of this bill.

Mr. LLOYD. Suppose that the law was so fixed as to protect you from the department's regulations and at the same time furnish you with reasonable compensation. You would not then object to the space basis, would you?

Mr. PETERS. I think we certainly would object to it because we can see no possible way of having our revenues grow with the growth of the business.

Mr. LLOYD. Under the space system would not your compensation grow with your business?

Mr. PETERS. Very, very slowly.

Mr. LLOYD. You would get twice as much for carrying two cars as you would for carrying one?

Mr. PETERS. Perhaps.

Mr. LLOYD. And five times as much for carrying five cars as you would for carrying one? At the present time you do not get that, under the weight basis?

Mr. PETERS. But if you concentrate your loads into your cars and reduce your space——

Mr. LLOYD. No. Here is the problem I am trying to disabuse you of. If the objectionable features of the space basis were removed and you were assured of fair treatment, then you would not object to the space basis, would you? The thing, as I understand it, with all your views, is that you fear you are not going to be fairly treated by the Government; that the Government is going to require too little space

for the accomplishment of that which must be done. In other words, they are going to compress the business into too small a space, thereby saving expense to the Government and causing you just as much trouble if they did not press it into so small a space.

Mr. PETERS. We handle all other business, except the passenger business, on a weight basis. Everything that the Government sends through the mail or parcel post is on a weight basis.

Mr. LLOYD. I appreciate that, but, on the other hand, that is not an answer to the space basis, because the mail is a different proposition from anything else. You would not want to say that freight should be carried exactly like a letter?

Mr. PETERS. No; we do not say that. We do say that the weight is the gauge of the service; that we must be compensated for the weight we haul. We are hauling the weight in addition to hauling the space.

Mr. LLOYD. After all, Mr. Peters, it is not the weight of the mail for which you really receive compensation, for you furnish a great big car and you only have two or three tons in a great big car, which would have the capacity otherwise of carrying possibly 20 tons, and you have only two or three tons of mail.

Mr. PETERS. But we have a storage car alongside of it with the other 20 tons.

Mr. LLOYD. That is a separate car?

Mr. PETERS. That is a separate car, but they run together, so that the mail is sorted from one car to the other and handled.

Mr. LLOYD. That is true only on trunk-line railroads.

Mr. PETERS. On trunk-line roads. That is true on the heavy mail routes, and the storage cars will increase as the parcel-post business increases, the same way that the apartment cars are increasing.

The CHAIRMAN. Ten-elevenths of your compensation now comes purely from your weight and one-tenth from R. P. O. cars?

Mr. PETERS. Yes; practically so.

Mr. LLOYD. And the more the storage cars carry the more benefit it is to you, looking at it from the standpoint of the railroad companies?

Mr. PETERS. If they are loaded, yes; but we count the weight in those cars. It is the weight that goes with them.

Mr. LLOYD. No. You get paid now for the weight, but if you got the same pay on the space basis——

Mr. PETERS. We do not see how you can put a space factor there that you can rely upon, like you can on weight, that will fully protect the railroads in that matter.

Mr. LLOYD. There would not be any trouble in determining that on a full car. The trouble in determining that is in the apartment car, is it not?

Mr. PETERS. It is not only in the apartment car and the full R. P. O. car, but also in the storage car and likewise in the ordinary baggage or combined car, for closed pouches.

Mr. LLOYD. The objection that you urge does not apply to the storage car, nor to the full R. P. O. car, does it? It only applies to the apartment car and the car in which you carry small pouch mail?

Mr. PETERS. It applies to all of those. That is right. We have felt that a joint inspection should be made by the commission and representatives of the department and of the railroads going to some main-

line roads and to some branch-line roads, and to some main-terminal post offices, so that you may see exactly what service is performed by the railroads. In St. Louis I think there are from 60 to 65 porters employed specially to meet these mail trains to make the transfer from one road to the connection. In Kansas City I think there are 85. In Chicago there are from 60 to 65 in one station alone. There is this immense force employed for handling these mails from the cars on one line to the connecting lines. There is that same sort of condition at every one of the trunk-line junction points, and there is a large force at intermediate points. We have a main transfer station just out of Brooklyn and New York called Jamaica, where all of our trains from three terminals concentrate and then disseminate at that point. We employ a force there in handling the mails from one train to another—some 250 trains a day. Records are kept of those mail pouches. There are all sorts of services being performed by the railroads that only a personal inspection of the commission, with those who are able to point out these things, will determine.

The CHAIRMAN. As I sum up your views, as represented in correspondence, conferences, and in the hearings, the desideratum from your viewpoint is the adoption of a plan that will be universal.

Mr. PETERS. I think it has to be. It is a universal service.

The CHAIRMAN. Your contention is that space could not be made universal but under the substitution of space for weight it would be necessary to have separate contracts with the 795 railroads with whom the Government now has mail contracts?

Mr. PETERS. Separate rates of pay.

The CHAIRMAN. Separate rates of pay. That is fundamental. It is also fundamental that no transportation company has yet evolved a yardstick that will remain the same in its measuring capacity, that will be applicable to all the railroads, always, as the measure of the service rendered, that fundamentally all rates of railroads are based primarily on the weight measure of the service rendered.

Mr. PETERS. Right.

The CHAIRMAN. Your second objection is, as I glean it, you feel that you would be left to the personal equation of the individual who happened to be Postmaster General at the time, as to the determination of the space used.

Mr. PETERS. Yes.

The CHAIRMAN. Which you believe is eliminated by using weight primarily as the measure of the service rendered.

Your third objection is that the Government, in dollars, would make no saving by the substitution of space for weight, but on the contrary, under the figures you have presented and in accordance with the last bill suggested by the Postmaster General, you would, on a 4 per cent basis, probably receive $10,000,000 more compensation than was worked out by the department in its original bill. In other words, that the $9,000,000 apparent saving, with a 4 per cent interest on the capital invested, would result in the Government paying a million dollars more than they now pay under the existing conditions?

Mr. PETERS. Yes.

The CHAIRMAN. On a 6 per cent basis that the Government would pay $6,000,000 more than they now pay. You feel that under the existing system there are certain injustices done the transportation

companies, first, that you should be relieved of the burden of the side service, which, as I understand under your calculations, would represent four million and odd dollars?

Mr. PETERS. A little more than $4,000,000.

The CHAIRMAN. Second, that you should have compensation for all space in the apartment cars.

Mr. PETERS. Where there are postal clerks.

The CHAIRMAN. Where postal clerks are carried, which would represent an additional compensation to you over what you now receive of practically four and one-half million dollars?

Mr. PETERS. Yes.

The CHAIRMAN. Third, that you are entitled to annual weighing for the reason that now, under the quadrennial weighing, you get no compensation for any increased weight or service rendered for a period of four years?

Mr. PETERS. That is correct.

The CHAIRMAN. That, according to your calculations, it is your opinion that you are thus deprived of a compensation which, from your viewpoint, you are entitled to of how many millions annually?

Mr. PETERS. I have no exact figures on that. There have been estimates varying from one and a half millions a year to four million and a half. It might be between two and three millions. I do not know whether Mr. McBride or Mr. Stewart ever figured that point.

The CHAIRMAN. That you are entitled to a special weighing, in view of the enlargement of the fourth-class mail matter going into operation the 1st of last January, in order that you may get compensation for the increased business incident to that increased activity on the part of the Government?

Mr. PETERS. That is right; and that an adjustment under those new weights should be made at the beginning of the fiscal year July 1, 1913, and that we should have a weighing each year thereafter until this matter is finally adjusted.

The CHAIRMAN. That practically covers it, does it?

Mr. PETERS. The position of the railroads; yes. You have stated it so clearly that I have nothing more to say, Mr. Chairman.

Mr. WEEKS. I want to refer to the suggestion I made yesterday and ask Mr. Peters why he and those associated with him do not draw a bill embodying their views and reasons for each item in the bill, so that we may have that before us?

Mr. PETERS. We have drawn four or five, which went to the waste-basket; all coming back to the conclusion that the present basis of weight and coupled with the extra compensation for the space [like the post-office car] was the only reliable accurate gauge for the service. We would be glad to try that again and see if we can not draw one.

Mr. WEEKS. How do you expect us to do it if you can not?

Mr. PETERS. That is just the point; but, we say, let the principle of the present law stand. Everybody who has investigated this question, and every commission that has gone through it, says that you get nearer to making a fair basis of pay under the present law, provided you will give the relief that we ask for—for an annual weighing, pay for the apartment post office, and relief from this terminal and messenger service.

The CHAIRMAN. I thank you, on behalf of the committee, for presenting your views to us.

## STATEMENT OF MR. W. W. BALDWIN.

The CHAIRMAN. Mr. Baldwin, it will be necessary that you be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your age, residence, and occupation.

Mr. BALDWIN. I am 67 years of age. I live in Burlington, Iowa, and I am vice president of the Burlington road.

The CHAIRMAN. How long have you been in the railroad service?

Mr. BALDWIN. Since 1879, for the Burlington Co.

The CHAIRMAN. You are connected with these gentlemen who have been before this committee in reference to the readjustment of railway mail pay, and your roads with which you are identified are in the association of which Mr. Peters is the chairman, representing some 214,000 out of 250,000 miles of railroad in the United States, are you?

Mr. BALDWIN. Yes, sir.

The CHAIRMAN. You concur in the views expressed by Mr. Peters in reference to the attitude of the railroads in that association, do you?

Mr. BALDWIN. I do; and I especially concur in the statement or the summary brought out as just expressed by yourself.

The CHAIRMAN. Has any bill of recent date been introduced in Congress representing the railroad views, in the adoption of which, in your opinion, justice would be done the transportation companies of this country?

Mr. BALDWIN. I think for several years the railroads have felt that they were very unjustly treated by the operation of the divisor and the reductions that have taken place in the rates of pay in recent years, partly on account of that and partly on account of the regulations of the department. They have been very much impressed with the complaints which have been made by the short-line roads, specifically, and they have felt that some sort of reimbursement of their loss should be made. They have cooperated with the short-line roads in the presentation of what is called the Talbott bill as furnishing a substantial measure of relief to the New England roads, and roads like the Long Island Co., and the short-line roads. They have believed under the present conditions that that is probably as much in the way of relief as they could get, and that it would go far toward doing justice, especially to the short-line roads and to such roads as the Long Island and the New England roads, with a measure of justice to the roads that carry the bulk of the mails, also, because we have a great many branch roads upon which there is apartment-car service which would be affected by it.

The CHAIRMAN. Particularly the allowance for apartment cars; that would be a relief?

Mr. BALDWIN. There is an element of great injustice of paying the railroads upon the weight that they carried four years ago. There ought to be an annual weighing. Those two things would be substantial measures of justice which they are entitled to. It seems to us, particularly in view of the fact that probably based upon the investigations of the Post Office Department and the concessions which the department itself has just made, it would appear that the

roads are underpaid quite as much as they would be reimbursed by the operation of the Talbott bill.

The CHAIRMAN. Instead of "concession," I would say "modification."

Mr. BALDWIN. I will use the word "modification."

The CHAIRMAN. I would use that word, because the department can not do other than simply submit its views. It can not legislate.

Mr. BALDWIN. No.

The CHAIRMAN. Do you concur, according to your experience in railroading, with the statement that, so far as you are aware, no transportation company has ever used space as the basic principle on which your rate charges are founded as the measure of the service rendered?

Mr. BALDWIN. So far as I know.

The CHAIRMAN. In the systems with which you are identified and have been connected, weight is the basic measure?

Mr. BALDWIN. It is.

The CHAIRMAN. And all your calculations are based upon that?

Mr. BALDWIN. Except for passengers. The express companies charge on a basis of weight and we receive our compensation for carrying express matter through them.

Mr. WEEKS. If the time of weighing the mail were modified so that the mails were weighed every year, do you think it would be fair for the railroads to pay three-fourths of the expense—that is, leaving it so that the expense which the Government would pay would not be any greater than it is now?

Mr. BALDWIN. Well, I have no authority to represent the roads in a matter of that importance. Our impression, Mr. Weeks, has been that the weighing every year, for 35 days, properly organized, will cost very little more than weighing quadrennially for 105 days. I think the railroads ought to be willing, speaking for myself, to share in any increased expense.

The CHAIRMAN. You certainly would be willing to pay $300,000 for the privilege of getting from one million and a half to four millions a year, I should think?

Mr. BALDWIN. That is undoubtedly good financing.

Mr. WEEKS. Do the trunk lines make large profits from the transportation of mails?

Mr. BALDWIN. They do not.

Mr. WEEKS. Do you know any railroad that makes a large profit?

Mr. BALDWIN. In the carriage of the mails?

Mr. WEEKS. Yes.

Mr. BALDWIN. I do not, as compared with any other business that they perform.

Mr. WEEKS. Do you know any railroad that makes a larger profit in carrying the mails that it makes in carrying express?

Mr. BALDWIN. I do not.

Mr. WEEKS. Do you think there are such?

Mr. BALDWIN. There are a good many railroads in the country and I would not want to say that there is no road that has only a small amount of express and a larger amount of mail. That question of volume would affect the question of the total returns.

Mr. WEEKS. I do not mean volume, but I mean per ton per mile.

Mr. BALDWIN. I can not say that I do know of any such road. That is the only way I would be able to answer that.

Senator BANKHEAD. You said just now that you got compensation for carrying the express, from the express companies.

Mr. BALDWIN. Yes, sir.

Senator BANKHEAD. Now, if it should turn out that the parcel post is going to reduce the receipts of the express companies materially, as everybody supposes it will, it will reduce your revenues to that extent?

Mr. BALDWIN. It will to the extent of 57 per cent.

Senator BANKHEAD. At the same time it will increase your burden by putting more weight into the mail service?

Mr. BALDWIN. That is true.

Senator BANKHEAD. And for that increased weight in the mail service you get no pay, unless there is an annual weighing or unless there is a weighing at the latter part of this year?

Mr. BALDWIN. We get no pay until there is a weighing.

Senator BANKHEAD. And therefore you contend they are cutting you at both ends?

Mr. BALDWIN. They certainly are, in that respect.

The CHAIRMAN. Will you elucidate a little more on the 57 per cent proposition which you just stated?

Mr. BALDWIN. All I meant was that the express companies pay us 57 per cent of their earnings from the business which they transmit over our roads.

Senator BANKHEAD. They pay that for hauling their cars?

Mr. BALDWIN. That is our compensation for conducting that business.

The CHAIRMAN. Is it possible to evolve any system in rate making in the transportation business that will be absolutely equitable to all lines, trunk and short lines as well? In other words, will not the trunk lines always have the advantage of doing a wholesale business as against a retail business performed by the short or branch lines?

Mr. BALDWIN. In the case of the mails where concentration takes place, you will recall that the rate goes down tremendously; it goes down to where it is not more than one-twentieth of the rate on the very small routes. Another thing, where the greatest concentration of the mails occur, you have special train service, special fast mail trains, which are very expensive, and that element comes in and has to be considered in determining not only the value of the service to the Government, but the expense of the service to the company that performs it.

The CHAIRMAN. Is this not true: That under your existing rates as your volume of business increases your revenue per pound decreases, but your net revenue as a whole increases on the activity of the service rendered?

Mr. BALDWIN. It depends on how much it costs to perform the business. In the case of the Great Northern they recently put on a special service to the Pacific coast. That is an unusually expensive service on account of the peculiar condition of snow on the mountains, etc., and the deductions that are made on account of delays and all that. To show that they get adequately compensated because of the increase in weight is something that has to be studied pretty carefully.

The CHAIRMAN. If there are three railroads running to a competitive point, say, for instance, "A," "B," and "C," if "A" chooses to put on extra service in order to get the contract, believing that the possession of the contract is an advantage in its competition with "B" and "C," is there any reason why the Government should pay the cost of a loss that "A" makes in his transaction?

Mr. BALDWIN. I should say not, if such a condition exists anywhere.

Mr. WEEKS. How many competitive lines are there running solid mail trains between Chicago and San Francisco?

Mr. BALDWIN. We run two trains weekly from Chicago to Omaha. Just what the mail service is on the Union Pacific or the Santa Fe I do not know.

Mr. WEEKS. For instance, between Chicago and Omaha, how much competition is there in solid trains?

Mr. BALDWIN. In solid trains we have what is called the fast-mail service from Chicago to Omaha on the Burlington. Just what service is put on by the Illinois Central and by the Great Western, the Rock Island, and the Northwestern, and the Milwaukee, I am not prepared to state.

Mr. WEEKS. Could that service be segregated from the other mail service if the department asked for bids to conduct the service as it would a star-route service—that is, as a result of competition?

Mr. BALDWIN. I would not be able to answer that question. I do not know. I know that if the mail as now concentrated upon the fast-mail route from Chicago to Omaha was divided up among all the roads there would be no fast-mail service, because there would not be enough of it to justify it.

Mr. WEEKS. I do not mean to divide it up, but I mean one road conduct all the service under conditions that would be imposed by the department, only do that as a result of bids for two or three years?

Mr. BALDWIN. That is purely a theoretical question which I would not be able to answer.

Mr. WEEKS. It has not been considered by anyone?

Mr. BALDWIN. It has never been considered by us.

Mr. WEEKS. Would it be possible, in your opinion, to do that to the advantage of the Government and perhaps to the advantage of the railroads, too?

Mr. BALDWIN. My opinion upon that subject would be purely theoretical and of no value.

Mr. WEEKS. Would not that leave the rest of the service which the Burlington road, for instance, performs similar to the service performed by any railroad—that is, a short-line railroad?

Mr. BALDWIN. You mean if we lost the fast mail?

Mr. WEEKS. Yes.

Mr. BALDWIN. I presume it would.

Mr. WEEKS. It is an entirely distinct service from the rest of the service which you perform?

Mr. BALDWIN. It is, and a very expensive service in many ways.

Mr. WEEKS. If the cost were arrived at, as a result of competition, would that be unfair?

Mr. BALDWIN. I do not see how my answer to a question of that kind would be of any consequence.

Mr. WEEKS. The reason I am asking the question is because it seems to me the greatest difficulty to be met with in this whole matter is preparing a general proposition which will not do injustice to somebody or pay somebody more than they should be paid. The service is so dissimilar in different sections of the country and even on the same road.

Mr. BALDWIN. Mr. Scott had some figures here yesterday with regard to earnings between Chicago and St. Louis upon their concentrated service which I thought were quite impressive. They were not put into the record. We are entirely willing to have that question investigated as to whether or not we are being paid too much or too little for the service that we are rendering. I mean by the company as a whole on its route from Chicago to Omaha.

Mr. WEEKS. Do you run a solid train beyond Omaha?

Mr. BALDWIN. No, sir.

Mr. WEEKS. Who takes the mail at Omaha now?

Mr. BALDWIN. The Union Pacific.

Mr. WEEKS. Mr. Chairman, I would suggest that those figures which Mr. Scott had yesterday which have been referred to several times be put in the record in some form as relating to the detailed cost of service on the roads with which he is familiar.

The CHAIRMAN. I think that is a most excellent suggestion. Mr. Scott, will you prepare a statement and file it with the committee?

Mr. SCOTT. I will do that, Mr. Chairman.

Mr. BALDWIN. In answer to Mr. Weeks's question as to whether we would submit a bill, I will answer that we will be very glad to submit such a bill.

The CHAIRMAN. How soon, in your opinion, could such a bill be prepared and submitted to the committee?

Mr. BALDWIN. We will say within two weeks' time.

The CHAIRMAN. I wish you would kindly do so.

Mr. WEEKS. I want to suggest that these gentlemen consider that proposition which I have been inquiring about, the possibility of segregating through-train service from the rest of the mail service as a question of compensation. I do not know whether it is possible—I have never given it any serious consideration—but it seems to me to be a distinct service, in a way, that might be handled in a different way from the way the rest of the service throughout the country is handled, and it would possibly make it easier getting together a bill which would apply to all kinds of roads and all forms of service other than that. There may be something in it, but I would like for you gentlemen to consider that.

The CHAIRMAN. Mr. Baldwin, I want to thank you very much on behalf of the committee for giving us your views on this matter.

## STATEMENT OF WILLIAM WALTER SAFFORD.

The CHAIRMAN. Mr. Safford, it will be necessary that you be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you kindly state your full name, residence, occupation, and official position?

Mr. SAFFORD. William Walter Safford, general mail and express agent, Seaboard Air Line Railway, Norfolk, Va.

The CHAIRMAN. Have you any further information to offer to the committee bearing on the subject we have under discussion other than that presented in the letter of Mr. Capps, vice president of your road, under date of October 1, 1912, addressed to me?

Mr. SAFFORD. The matter that I was interested in particularly was the suggestion that the rates be based upon cost, and if you will refer to our letter, paragraph 2, at the top of page 84 in this document Railway-mail pay, you will see that we object to that plan in our letter. In that connection I might say, gentlemen, that the cost is only incidental in rate making. It never has been used to my knowledge, except in cases where rates have been attacked. In connection with the present express rate case now under consideration by the Interstate Commerce Commission, we were called upon a very short time ago, and in a hurried way, to make computations showing the comparative cost and revenue of the service, with expense segregated to the express service, for the year 1912. This call was made by a committee of railroad and express officials having the matter in charge, and they suggested four methods of apportionment of unassigned—and some people think unassignable—expense. The first was the Buell method, which is also known as the Wisconsin method, and which was used in modified form by the Postmaster General.

The CHAIRMAN. In document 105?

Mr. SAFFORD. In document 105; yes, sir. The second was the method used by the Postmaster General. The third was the method proposed by the express companies and the fourth was a selective method by the company which it might think best suited to its own conditions.

The CHAIRMAN. All the railroads having any interest in express companies were asked to perform the same service in these different computations that your company was?

Mr. SAFFORD. I presume so. I have no knowledge as to that, except as to my own company.

The CHAIRMAN. What was the result of your computations?

Mr. SAFFORD. These figures are not actual, they are simply comparative; that is to say, they are actual as to individual calculations, but they are not actual as to the relative mail revenue at this time, because I did not have any car-foot-mile figures for the year 1912, but for the purpose of illustration the calculations are just as accurate as though they represented actual figures because the same elements were used.

The CHAIRMAN. You take hypothetical figures and they are the same in all of your computations?

Mr. SAFFORD. Every one of them, and to be exact about it, I took the car-foot miles made in mail service which we reported to the Post Office Department for November, 1909, and I took the car-foot miles as ascertained by the Post Office Department at the same time and applied them to our revenue for the year 1912. The computation will produce the same relative results as to these different methods of apportionment. I found from that that the variations ran from a profit to us of $48,117.78 under the Buell method, as understood and used by our accounting department, to a loss of $289,147.84 on the basis of apportionment prescribed by the express companies. I deduce from that result that when you undertake to adjust any

matter of this kind on a basis of cost, it makes just as much difference what method of apportionment for unassigned expenses you use as almost any other factor that would be employed in the case. For instance, if you start out to accomplish a given result, you can adopt a method of apportionment that will most nearly bring about the result you started for.

The CHAIRMAN. You mean the result most favorable to you?

Mr. SAFFORD. The result most favorable to the end in view. Yes, sir. There is no generally accepted method of apportionment at the present time. I think there is a committee of accounting officers working to that end now, probably in connection with the Interstate Commerce Commission officers, but as yet no definite, ascertained, and accepted method has been arrived at.

The CHAIRMAN. There is no universal method that has yet been evolved?

Mr. SAFFORD. No.

By permission, Mr. Peters asked a question of Mr. Safford as follows:

Mr. PETERS. Has not the revenue train mileage been used by all the railroads throughout the country generally in comparing their their expenses?

Mr. SAFFORD. It has been and it is generally accepted by railroads as the best and most acceptable method, but it is not accepted by accounting officers as an absolute proposition, and it is in question now as between the methods used by the Postmaster General and the methods used by the railroads in order to have a uniform method and to present uniform figures to the Postmaster General, so that there might not be a great many different opinions about this thing. The railroads already, in making their segregation of expenses, use the revenue train-mile basis in their assignment of expenses to passenger-train service, and that has been most frequently used and perhaps is the best because it represents more nearly the use of the property.

The CHAIRMAN. In the request received from these gentlemen representing certain railroads and express companies to make these computations, did the request contain an outline of the four computations to be made, or were the selections made by you?

Mr. SAFFORD. They contained an outline of the form to be used in each method designated.

The CHAIRMAN. Designating specifically the four methods?

Mr. SAFFORD. Yes, sir; and explaining and describing them.

The CHAIRMAN. And the limitations on the same figures on the results obtained were from a gain of $48,000 on one side to a loss of two hundred and eighty-nine thousand and odd dollars on the other. Those were the limits?

Mr. SAFFORD. Yes, sir.

Mr. LLOYD. Can you give the four right together?

The CHAIRMAN. Will you leave with the committee this table of computations which you made, in order that we may insert it in the record?

Mr. SAFFORD. Yes, sir; with the understanding that it is an exhibit and not an actual situation.

SEABOARD AIR LINE RAILWAY.

*Comparative cost and revenue for mail service for the year 1912 by various methods of apportionment.*

| | |
|---|---|
| Cost of mail service, Buell method, on basis of car-foot miles reported by company | $515,185.44 |
| Revenue for mail service | 467,522.26 |
| Loss, Buell method | 47,663.18 |
| Cost of mail service, Buell method, on basis of car-foot miles as stated by department | 419,404.48 |
| Revenue | 467,522.26 |
| Gain, Buell method, on basis of car-foot miles stated by department | 48,117.78 |
| Cost of mail service, Postmaster General's method, on basis of car-foot miles reported by company | 598,015.61 |
| Revenue | 467,522.26 |
| Loss | 130,493.35 |
| Cost of mail service, Postmaster General's method, on basis of car-foot miles stated by department | 486,835.24 |
| Revenue | 467,522.26 |
| Loss | 19,302.98 |
| Cost, express company method, on basis of car-foot miles reported by company | 756,670.10 |
| Revenue | 467,522.26 |
| Loss | 289,147.84 |
| Cost, express company method, on basis of car-foot miles stated by department | 615,993.40 |
| Revenue | 467,522.26 |
| Loss | 148,471.14 |
| Cost, Seaboard Air Line method, on basis of car-foot miles reported by company | 638,079.81 |
| Revenue | 467,522.26 |
| Loss | 170,557.55 |
| Cost, Seaboard Air Line method, on basis of car-foot miles stated by department | 519,450.89 |
| Revenue | 467,522.26 |
| Loss | 51,928.63 |

The CHAIRMAN. I think your explanation is in the record that the figures were hypothetical, but your deductions are illustrative of the expert, given certain figures, of arriving at the same deduction by different individuals, except where one general plan of computation is in vogue. Is that right?

Mr. SAFFORD. That is right.

By permission, Mr. Peters asked a question of Mr. Safford, as follows:

Mr. PETERS. Is it not a fact that the railway accounting officers' association is now cooperating with the representatives of the Inter-

state Commerce Commission in endeavoring to work out a uniform method of assigning cost?

Mr. SAFFORD. I stated that in my testimony, Mr. Peters.

Mr. PETERS. They are engaged in that now?

Mr. SAFFORD. Yes, sir. I stated that in my testimony.

Mr. LLOYD. In your judgment, which of these four methods is the most equitable method? I am not asking you as a railroad man, but I am asking you now which is the most equitable method, as it affects the country at large?

Mr. SAFFORD. Well, the most equitable method to my mind is th revenue train-mile method.

Mr. LLOYD. Why?

Mr. SAFFORD. Because that more nearly represents the use of all the elements that enter into these unassignable expenses.

Mr. LLOYD. What is the objection to the department's method?

Mr. SAFFORD. Well, it has a good many elements of direct charge in it—items that have not necessarily any relation to each other, as I understand.

Mr. LLOYD. Can you mention some of those charges?

Mr. SAFFORD. Not from memory; no, sir. I furthermore want to state that I am not an expert accountant. I am deducing these things from figures that I get from expert accountants and I would not like to go into the question of railroad accounting, because there are men so very much more competent to do that than I.

Mr. LLOYD. I am very anxious that you people who object to the department's method of accounting shall show the objections to that method and show why some other method is better.

Mr. SAFFORD. That I think would be best ascertained from the expert accountants who handle these figures.

Mr. LLOYD. Then for the commission to get the information it ought to have, it should have these expert accountants?

Mr. SAFFORD. I think so, sir. I think they are more competent than anyone else to give you that. We rely upon them and I think they should be the people for the commission to rely upon.

Mr. LLOYD. Then you would not wish to criticize, if I may use that expression without offense, the method of the department?

Mr. SAFFORD. No, sir. I am not sufficiently statistical to do that. I will say this for the department. The modification of the Buell system which they used in part was favorable to the railroads. They seem to have been trying to get at something fair from their point of view.

The CHAIRMAN. By "favorable," you mean fair to the railroads?

Mr. SAFFORD. Yes, sir. I do not mean to suggest any favoritism, but I mean to say the results were more equitable to the railroad than they would have been if the Buell system had been used pure and simple, as understood by our accounting department.

The CHAIRMAN. The Buell system is a system well known, is it, in the accounting world in this country, at least?

Mr. SAFFORD. I do not think it was ever used except in the Wisconsin rate case.

The CHAIRMAN. It originated, did it, in Wisconsin?

Mr. SAFFORD. I think it did.

The CHAIRMAN. But it is something that is well known now in the railroad world distinctively as the Buell system?

Mr. SAFFORD. I presume it is well known now since this commission has taken it up as one of the bases for arriving at the information they wanted.

The CHAIRMAN. I want to thank you very much, Mr. Safford, for your views.

Thereupon, at 12.45 o'clock p. m., the hearing adjourned until Friday, February 7, 1913, at 11 o'clock a. m.

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## FRIDAY, FEBRUARY 7, 1913.

JOINT COMMITTEE ON SECOND-CLASS MAIL MATTER.
*Washington, D. C.*

The hearing was resumed, according to adjournment, at 11 o'clock a. m.

Present: Senator Jonathan Bourne, jr. (chairman), Representative James T. Lloyd, Representative William E. Tuttle, jr., and Representative John W. Weeks.

## STATEMENT OF MR. HENRY S. LYONS.

The CHAIRMAN. Mr. Lyons, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your name, age, residence, and occupation?

Mr. LYONS. Henry S. Lyons, secretary of the Boston Elevated Railway Co., Boston, Mass.

The CHAIRMAN. How long have you been connected with the Boston Elevated Electric Railway Co.?

Mr. LYONS. I have been secretary for about three years.

The CHAIRMAN. You appear before the committee this morning, as a number of other gentlemen do, representing the electric lines of New England and of the West?

Mr. LYONS. Yes; and of New York State. A committee appointed by the American Electric Railway Association will appear before this committee.

The CHAIRMAN. Does that association represent practically the bulk of the electric lines in the country?

Mr. LYONS. It does.

The CHAIRMAN. All of them?

Mr. LYONS. Practically all of them; yes.

The CHAIRMAN. You are familiar with the bill suggested by the Postmaster General proposing the substitution of space for weight as the determining factor in arriving at compensation for transportation of the mails?

Mr. LYONS. I am not. We have some gentlemen here who are familiar with it.

The CHAIRMAN. Will you give the committee your views relative to railway mail pay?

Mr. LYONS. I prefer to have that given to the committee by those gentlemen who have been appointed as a committee of the association. They are familiar with that subject.

The CHAIRMAN. Will you give me the name of the first gentleman?

Mr. LYONS. The first gentleman who will furnish you with information will be Mr. J. H. Neal.

The CHAIRMAN. Have you any information or viewpoints that you are able to submit to the committee which would be of benefit in our study of this question?

Mr. LYONS. I have not. We have gentlemen here with us who are experts on the subject under investigation and I do not wish to take up their time.

## STATEMENT OF MR. J. HENRY NEAL.

The CHAIRMAN. Mr. Neal, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you please state your name, age, residence, and occupation?

Mr. NEAL. J. Henry Neal; residence, Boston; age 40; I am general auditor of the Boston Elevated Railway Co.

The CHAIRMAN. How long have you been connected with the Boston Elevated Railway Co.?

Mr. NEAL. About 25 years.

The CHAIRMAN. How long have you been auditor?

Mr. NEAL. Nearly five years.

Mr. LLOYD. Do you represent any railways, except the elevated railways of Boston?

Mr. NEAL. Yes; I am chairman of the committee appointed by the American Electric Railway Association to take this matter up with this committee.

Mr. LLOYD. What kind of railways does that committee include?

Mr. NEAL. It includes electric railways operated in cities and also interurban lines.

Mr. LLOYD. Whether they are elevated, subway, or surface?

Mr. NEAL. Yes, sir. The Boston road in itself is composed of elevated, subway, and surface combined.

Mr. LLOYD. Does it carry mail in the subway?

Mr. NEAL. Not that I am aware of. I think we usually run the mail cars on the surface lines, but we may, if we please, run them in the subway.

The CHAIRMAN. You are familiar, are you, with the bill prepared and suggested to Congress by the Post Office Department substituting space for weight as the basis of compensation for the service rendered, in the adjustment of railway mail pay?

Mr. NEAL. No; because thus far the compensation which we have received has been on a different basis. We have been paid 1 cent per linear foot for each car mile that a car ran. That is to say, if a car was 15 feet 6 inches long we would be paid at the rate of 1 cent per foot for each linear foot the car was long for every mile it ran. We also have the pouch service, for which we are paid so much per mile.

The CHAIRMAN. Then, what is the purpose of he request of you gentlemen, representing the electric lines of the United States, for a hearing before the committee?

Mr. NEAL. Mr. Chairman, we have been operating on our road cars which we call 16-foot box cars, but which measure a little less

than 16 feet on the inside and we have been receiving 15.58 cents per car-mile for the work that we have been doing for the Government.

The CHAIRMAN. That is on the basis of 1 cent per linear foot per mile?

Mr. NEAL. Yes, sir. For years it has been well known, I think, to various committees and to various postmasters, and certainly to all the railways, that this rate of compensation was absolutely inadequate, and for years the railways have been pointing it out in various ways, but up to the present time they have not been able to do so so that they have been able to get any increased compensation. It may be that the matter has not been presented sufficiently in detail, but it is a very easy matter for us to show, without any question whatsoever, that this is causing a loss to my road alone of $18,000 a year.

The CHAIRMAN. The $18,000 loss you claim your road suffers from the present rate is what per cent of the total amount of compensation that you receive from the Government for mail service?

Mr. NEAL. On this particular kind of service it is a matter of about 50 per cent.

The CHAIRMAN. Answer my question, kindly. What is the total amount you receive in compensation from the Government for this particular line of service on which you say you can demonstrate that you make an $18,000 loss?

Mr. NEAL. Substantially $30,000 to $35,000 a year.

The CHAIRMAN. And you can demonstrate that you lose $18,000. Are you obliged to carry this mail?

Mr. NEAL. No, sir; we are not.

The CHAIRMAN. Why do you assume a burden by which, according to your own statement, you can demonstrate an $18,000 loss out of $35,000 gross receipts?

Mr. NEAL. Speaking for the American Electric Railway Association, their executive committee made this statement:

> It may be asked why the electric roads undertook to perform the service at rates which were not remunerative. The answer is:
>
> First. Many roads undertook to carry United States mail at unremunerative rates with the mistaken idea that it would help them in cases of labor trouble to keep their cars running.
>
> Second. Operating expenses formerly were less than they are at present, but the carriers have continued from year to year in the hope that the Government would recognize the value of the services rendered and increase the rates to an equitable basis. The electric carriers now realize that the business is unprofitable and undesirable at the present rates, and ask that the Government equalize the existing rates paid for the different classes of mail transportation so that the electric lines can consistently obtain a reasonable proportion of the business on a fairly remunerative basis.

That was their vote. As far as my own road is concerned (the Boston Elevated), our feeling has been that we, without doubt, would be able, eventually, to get an increased appropriation. We have taken the matter up year after year, hoping it would be granted, and we have felt that it would perhaps be inflicting some hardship to withdraw the service, and we hoped that whatever it was that interposed between existing conditions and our getting proper compensation, would be overcome, but I think it has now reached a point where we should not be asked to carry the burden any further, a burden as great as this.

Mr. LLOYD. Have any of your number examined, and are they able to speak on the pending bill, the Post Office bill, or the pending recommendation of the Post Office Department with reference to pay?

Mr. NEAL. The only bill we supposed we had any interest in was the one which limited the compensation to 1 cent.

The CHAIRMAN. That is before the Post Office Committee. That is not before this general committee.

Mr. LLOYD. The general committee are investigating railway mail pay. If we find that we can put the steam and electric railroads on the same basis of pay, that would make simplicity in payment which might be useful to you and useful to the Government as well. We supposed that you had examined the particular bill. At the present time the steam railroads are paid by weight. Now the proposition of the Government is that the railroads should be paid by space, and we are especially considering the question as to whether we shall substitute the space basis for a weight basis. You have the space basis?

Mr. NEAL. Yes; substantially a space basis.

Mr. LLOYD. If you take the figures that are proposed in the pending bill, you might find the substantial relief that you are claiming, and it seems to me that you would do well to carefully examine that subject before you leave here and put yourelves in position of saying whether this bill would be beneficial to you or whether it would be practicable for you, and urge what objections you may want to urge against the proposed space basis system. This committee now has to investigate the whole subject. We are not wedded to anything, but our purpose is to investigate and find out if something better can not be done than that which is now done, some better system which might be adopted than the present one.

Mr. NEAL. I think the practice of the past would show that if the compensation were increased to 1½ cents, instead of 1 cent, that you would meet the conditions, so far as the street railroads themselves are concerned.

Mr. LLOYD. That is not the question which we have under consideration and that would only answer this question, that it would provide you a sufficient compensation under the present system. The question we are investigating is to find out whether some other system of accounting could not be adopted, a uniform system so far as the steam railways and the electric railways are both concerned. We have one system for the steam railways and one for the electric at the present time. Why should we have one for each of the different kinds of railways?

Mr. NEAL. That phase of the question would require some further study on our part, without a doubt.

The CHAIRMAN. You have a prepared statement, have you?

Mr. NEAL. Yes, sir.

The CHAIRMAN. Do you care to make any remarks elaborating the statement you have? We would be glad to file your statement and insert it in the record.

Mr. NEAL. I might say at the present I think it would be almost impossible to compare the carrying of mails in city service with steam railroad practice.

The CHAIRMAN. For what reason?

Mr. NEAL. Because the difference between train operation and individual car operation is so great and there are no precedents, that I know of, that I could base any statements on to permit me to make a comparison that we would dare to stand on to make a contract. On the other hand, this practice of paying according to the length of a car which has been in use for years and years, gives a greater compensation for a long car and a lesser compensation for a short one, and involves, in that way, the payment by space. As a matter of practice it is shown that if we had received 50 per cent more compensation, it would have been just to the company, therefore it seems to me that we are in position to state to your committee that there is a basis for payment for the city service which would be satisfactory and which is perhaps the best all around.

The CHAIRMAN. Then, as I understand, you are perfectly satisfied with space being the determining factor as to the compensation for the service rendered, but you are dissatisfied with the rate that you receive for the space?

Mr. NEAL. Yes, with one modification: That we would add, if we were paid a cent and a half per linear foot, that we should be granted not less than 30,000 miles for a car.

The CHAIRMAN. Regardless of the mileage you actually travel?

Mr. NEAL. Yes, sir. Because if the Government says that we must set aside a certain number of cars, the fixed charges, the crews, and other incidentals are putting the roads to a considerable expense. Our road last year averaged something like 25,000 miles per car.

The CHAIRMAN. Let me ask you, in that connection, in your consideration of the advisability of the extension of any of your electric lines, do you take into consideration the returns you are to receive from the Government for the carriage of the mail?

Mr. NEAL. Only indirectly.

The CHAIRMAN. How indirectly, if under the present rate you are assuming a loss of 50 per cent on the return?

Mr. NEAL. If I understood your question correctly, it is that if we are contemplating an extension into one of our suburbs, would we, in figuring the possible revenue on it, include anything for mail cars?

The CHAIRMAN. Would mail pay be one of the factors, from the financial standpoint, determining the advisability of going to the expense of making that extension?

Mr. NEAL. Yes and no. Yes, if there were post offices in that neighborhood, and no, if it appeared to be away from any post-office district or any place where we could handle the mail.

The CHAIRMAN. Then the mail pay is really a by-product in electric line operation?

Mr. NEAL. Yes, sir.

The CHAIRMAN. Whatever you get is just so much found?

Mr. NEAL. Well, no; I should not say that, because electric railway operations to-day involve the carrying of mail, newspapers, passengers, and express.

The CHAIRMAN. But you would not extend any electric lines for the purpose of carrying the mail under the mail contracts at the present rate of 1 cent per linear foot per mile. That would not be any consideration in your calculations as to the advisability of the extension.

Mr. NEAL. When we calculate an extension we take the probable gross revenue into consideration and, of course, in that way, it would affect it.

Mr. WEEKS. That is not especially a practical question as applied to Massachusetts, because in that State railroad extension is hedged around by so many obligations that most people do not want to put money into extensions, and we are not making them.

The CHAIRMAN. The point, of course, is well taken, but what I want to draw out is that no railway extensions are made on account of mail contracts—that the mail contracts is a by-product, if you please. It is not that I am personally or individually putting myself in a position or attitude of saying that the transportation companies are not entitled to compensation for the service rendered, but it is simply that I want to get this viewpoint in the record.

Mr. LLOYD. I do not believe I understand Mr. Neal. If you are going to extend a road and pass two or three little post offices, you would figure what you would probably receive from passenger receipts, you would figure what you would probably receive from trolley freight service, you would figure what you would receive from the mails and from the express, would you not?

Mr. NEAL. Yes; we would try to calculate the revenue from all sources.

Mr. LLOYD. Then, did you not answer incorrectly a while ago when you said "No" in reply to the question of the chairman?

Mr. NEAL. I said, "Yes and no," because, unless I knew that there were post offices on a particular extension, I could not tell.

Mr. LLOYD. You would know.

Mr. NEAL. If the extension was in a district where there were no post offices, then I say no. It may be either one way or the other, but as a matter of fact, we would include all the other incidentals that go with the street railway service.

Mr. LLOYD. If you are going to have to do something you are going to figure on that? You take the receipts that will come from it and you will figure off on the other side the expense on account of it?

Mr. NEAL. The matter is so small in proportion to the whole that it would be very difficult to use the mail as a calculation on extension. For instance, with our gross revenue—as it probably will be this year—of sixteen and one-half million of dollars, the money which we will receive from the Government for carrying the mails will probably be about $36,000, and the percentage is so small it would not be noted one way or the other.

Mr. LLOYD. That corroborates fully the statement of the chairman that it is an inconsequential matter either way?

Mr. NEAL. No; it is an inconsequential percentage, but this $15,000 a year is not an inconsequential matter.

The CHAIRMAN. Inconsequential as a determining factor as to the advisability of the expenditure. That is the point I wanted to make.

Mr. WEEKS. As a matter of fact, how long has it been since the Boston Elevated Railway has extended its mileage even a mile?

Mr. NEAL. We are all the time making little alterations involving slight changes, but it has been about three years since we made any extension, other than the Cambridge subway, which was authorized prior to that time, and the East Cambridge viaduct.

The CHAIRMAN. In your statement, in which you think you demonstrate that you are carrying mail at a loss of 50 per cent, have you a clear presentation as to what your apportionment of expense is?

Mr. NEAL. Yes, sir. I have divided it up into many parts, showing exactly what it costs us for each subdivision; for instance, the investment in a car, maintenance of the car, the wages of the men who operate it, the cost of the power, and various elements that go to make up this cost.

The CHAIRMAN. And of your total operating expenses what percentage do you charge to the carriage of mail?

Mr. NEAL. We charge to the carriage of mail?

The CHAIRMAN. Have you worked it down to a percentage, or a fractional part of a certain per cent?

Mr. NEAL. No. We keep accounts on a basis similar to that prescribed by the Interstate Commerce Commission, which requires cost of power to be kept in one account, track repairs in another account, etc. In this statement we have taken parts of accounts that apply to mail cars.

Mr. WEEKS. Does it take the same amount of power to operate a mail car as it does a passenger car?

Mr. NEAL. No; I do not think it does.

Mr. WEEKS. You do not figure the same?

Mr. NEAL. I took the actual power the mail cars were using. We had a meter put on the cars and found they were using 16 kilowatts.

Mr. WEEKS. And how much does a passenger car take?

Mr. NEAL. According to their speed and size. They vary from 56 kilowatts down to, say, 24.

Mr. WEEKS. How about the cost of the equipment? Do you put in the actual cost, the average cost of all kinds of cars?

Mr. NEAL. If I were granted time enough I could explain just how I made up this statement, so you can understand each item.

Mr. TUTTLE. Is this mail carried in special cars?

Mr. NEAL. Yes, sir. We carry mail in pouches besides, but the point of issue at present is that we are operating independent cars at a loss of 50 per cent.

Mr. TUTTLE. Is the mail which is in pouches carried on passenger cars?

Mr. NEAL. Yes, sir.

The CHAIRMAN. What do you figure your net compensation on that?

Mr. NEAL. I do not remember, Mr. Chairman. The gentlemen from the other roads have that, but I have not from my road, because I was confining myself to this particular case. Would it be taking too much of your time if I should explain the items, provided I go over them rapidly?

Mr. TUTTLE. Is this system similar to the systems in other large cities, like Chicago, New York, and others?

Mr. NEAL. It is generally applicable. The other cities would vary in different items of expense, according to the real estate and various differences in cost of labor and one thing and another, but in the main this would be representative.

The CHAIRMAN. Go ahead with your statement.

The statement is as follows:

*Statement giving estimated cost of operation of present type of United States mail cars on system of the Boston Elevated Ry. Co.*

Type and number of cars now used, nine 16-foot box.[1]
Mileage operated year ending June 30, 1912, 225,695 miles.

| | Cents per car-mile. |
|---|---|
| A. Car investment, taxes, interest, depreciation, and insurance | 1.338 |
| B. Car-house storage, taxes, interest, depreciation, and insurance | .187 |
| C. Power station, taxes, interest, depreciation, and insurance | 1.229 |
| D. Power transmission, taxes, interest, depreciation, and insurance | .198 |
| E. Track investment | 2.441 |
| F. Cost of power used | 1.350 |
| G. Wages on car crews | 8.422 |
| H. Maintenance of car bodies | .482 |
| I. Maintenance of car trucks | .200 |
| J. Cost of maintenance of track | 1.500 |
| K. Wages of other transportation and car service employees and other expenses | 1.680 |
| L. Maintenance of line equipment, buildings, and electric equipment of cars | 1.320 |
| M. General expenses | 2.790 |
| Total | 23.137 |
| Pay for 16-foot box car (15 feet 11 inches inside) | 15.58 |

| | |
|---|---|
| A. Car investment: | |
| Original car body | $500.00 |
| Rebuilding car body | 640.13 |
| Heaters without wiring | 23.00 |
| Harrison racks | 25.00 |
| Wire guards | 28.12 |
| Fire extinguishers | 14.50 |
| Electric equipment and equipping | 117.96 |
| K-2 controllers | 168.00 |
| G 58 motors (2 at $455) | 910.00 |
| Peckham truck | 220.00 |
| Vestibuling | 167.75 |
| Investment per car | 2,814.46 |
| For nine cars | 25,330.14 |
| Taxes and insurance, $9.25 per $1,000 (assuming capital be composed of one-half stock and one-half bonds) | 234.30 |
| Interest, at 5 per cent (the average amount paid on W. E. and B. E. capital is 5.09 per cent) | 1,266.51 |
| Depreciation, 6 per cent | 1,519.81 |
| | 3,020.62 |
| Investment charges per mile (on mileage operated year ending June 30, 1912), 1.338 cents. | |
| B. Car house investment: | |
| Length of car from bunter to bunter, 25 feet; 300 square feet required for housing, at $1.75 for land and buildings | 525.00 |
| For nine cars | 4,725.00 |
| Taxes and insurance, at $9.25 per 1,000 (as above) | 43.71 |
| Interest, 5 per cent | 236.25 |
| Depreciation, 3 per cent | 141.75 |
| | 421.71 |
| Per car mile (on mileage operated year ending June 30, 1912), 0.187 cent. | |

[1] Not including one 25-foot box.

| | | |
|---|---|---|
| C. Power investment. | | |
| Power station investment, 16 kilowatts per car, at $175 per kilowatt | $2,800.00 | |
| For nine cars | 25,200.00 | |
| Building (30 per cent), $7,560; interest at 5 per cent | | 378.00 |
| Building (30 per cent); depreciation 3 per cent | | 226.80 |
| Equipment (70 per cent), $17,640; interest, 5 per cent | | 882.00 |
| Depreciation of equipment | | 1,058.40 |
| Taxes and insurance, $9.25 per $1,000 (as above) | | 233.10 |
| | | 2,778.30 |
| Per mile (on mileage operated year ending June 30, 1912), 1.229 cents. | | |
| D. Power transmission lines: | | |
| 16 kilowatts per car, at $45 per kilowatt— | | |
| For 1 car | 720.00 | |
| For 9 cars | 6,480.00 | |
| Interest, 5 per cent | | 324.00 |
| Depreciation, 1 per cent | | 64.80 |
| Taxes, $8.98 per 1,000 (assuming our capital to be composed of one-half stock and one-half bonds) | | 58.19 |
| | | 446.99 |
| Per car-mile (on mileage year ending June 30, 1912), 0.198 cent. | | |
| E. Track investment: | | |
| Charges taken at the average cost per mile for the entire surface system— | | |
| Investment | 9,300,000.00 | |
| Car mileage | 45,427,857.00 | |
| Interest, at 5 per cent | | 465,000.00 |
| Depreciation, 6 per cent | | 558,000.00 |
| Taxes, $9.25 | | 86,025.00 |
| | | 1,109,025.00 |
| Per car-mile (on mileage year ending June 30, 1912), 2.441 cents. | | |
| F. Cost of power used: | | |
| Cost of power taken, at 0.0075 kilowatt hour. | | |
| Car uses 1.8 kilowatt hours per mile. | | |
| Cost per mile, 1.350 cents. | | |
| G. Wages of car crews: | | |
| Year ending June 30, 1912 | | 18,032.29 |
| Add for effect of 9-hour law (figures which are not yet obtainable) | | 1,000.00 |
| | | 19,032.29 |
| Mail-car mileage, 225,695 miles. | | |
| Cost per car mile, 8.422 cents. | | |
| H. Cost of maintenance of mail-car bodies: | | |
| 33 months, ending June 30, 1912 | | 2,244.35 |
| Add proportion of cost of painting to be done later | | 750.00 |
| | | 2,994.35 |
| Average cost for 1 year | | 1,088.88 |
| Cost per car mile, 0.482 cent. | | |
| I. Maintenance of car trucks, including wheels and axles, brake shoes, etc., taken at the average cost of 4 years for the type of trucks used on mail cars, per car-mile | | Cents. 0.2 |
| J. Cost of maintenance of tracks per car-mile, estimated by Mr. Hile | | 1.500 |

| | Cents. |
|---|---|
| K. Wages of other transportation and car service employees and expenses (taken at the average cost per car-mile for about 46,000,000 car miles on the entire surface system): | |
| Superintendence of transportation, including division clerks, starters, street inspectors, etc | 0.55 |
| Switchmen | .12 |
| Lamps, lubricants, waste, etc | .15 |
| Car-house employees and expenses | .53 |
| Wrecking expenses | .01 |
| Miscellaneous car-service expenses | .07 |
| Labor, cleaning, and sanding track | .15 |
| Oil, grease, sand, etc | .01 |
| Snow expenses | .09 |
| | 1.68 |
| L. Maintenance of line equipment, building and electrical equipment of cars (taken at the average cost per car-mile for about 46,000,000 car-miles on the entire surface system): | |
| Maintenance of line equipment | .34 |
| Maintenance of buildings | .22 |
| Maintenance of electrical equipment of cars | .60 |
| Superintendence of equipment | .16 |
| | 1.32 |
| M. General expenses (taken at the average cost per car-mile for about 46,000,000 miles on the entire surface system, and about 8,600,000 miles on the entire elevated system): | |
| Salaries, office, and general expenses | .53 |
| Law expenses | .23 |
| Pensions and gratuities | .04 |
| Miscellaneous expenses | .39 |
| Injuries and damages | 1.43 |
| Stationery and printing | .16 |
| Rent of tracks, terminals | .01 |
| | 2.79 |

Mr. NEAL. In trying to find out what the service costs, I first looked to see how many cars we had, and I found we had 10, one of which was a 25-foot box car, as we call it. The other 9 cars were 16-foot cars; so in order to make this statement plain I eliminated the 25-foot box car. For the nine 16-foot box cars I found the investment to be $2,814.46 per car. These figures I can show on the books of the Boston Elevated Railway Co. They are the orignal and absolute figures. The 9 cars made an investment of $25,330.14. In figuring the taxes I did not put on the full tax rate on the whole $25,000, because bonds are not taxable; and I assumed, because we have half of our capital in bonds and half in stock, that it was only fair to apply one-half of the tax rate, so I put down $9.25. Then, the interest is figured at 5 per cent. The Boston Elevated and the West End Street Railway Co.'s have been very fortunate in their financing, and the basis on which they are financed stands at 5.09 per cent. That is all we pay to our stockholders and bondholders. I do not think you can find many other roads that can afford to do business on that basis. We are not asking for profit, but only ask that we get this particular rate of interest, because that is what we are paying our stockholders and bondholders. That interest was $1,266.51, as indicated here. Then, I fix the item of depreciation at 6 per cent, and that is assuming on those cars a life of 16⅔ years. We will grant, if you please, that the bodies of those cars will last longer than that; but, of course, as

you know, the motors will not last as long. There are very few motors in operation to-day that will last more than 10 years. Some parts of the cars may last only 8 or 10 years, so the average 16⅔ years for the total life, we believe to be perfectly fair. That shows on the car investment interest, taxes, and depreciation, 1.338 cents per mile.

The question of housing a car comes up next. The car-house investment on our road costs us per car, $525; that is, for a car requiring the number of square feet that these do.

The CHAIRMAN. On your car-mile basis, on your estimate of June 30, 1912, those 9 cars traveled an aggregate of 225,695 miles?

Mr. NEAL. Yes; a person carefully analyzing this statement might challenge the fact that I included both land and buildings when I put on a depreciation of 3 per cent, but I was well aware of the fact that the land was included. I might have put on a slightly different per cent on the building alone. I know exactly how much the land cost, on the average, and this 3 per cent applied to the value of both the land and buildings together gives us the proper rate of depreciation to apply to buildings alone.

The CHAIRMAN. Do you allow for depreciation of the land in the depreciation of the building?

Mr. NEAL. I have reviewed our figures for many years and find that depreciation on the buildings happens to equal about 3 per cent on the value of land and buildings taken together. I found that that was the easier way to get at it, and that makes an item of 0.187 cent per car mile.

With regard to the power investment, as I have said, we measured the amount of power these cars were using and we found that to be 16 kilowatts per car mile. That requires an investment in power stations of 16 kilowatts per car. Our power station investments have cost us from $187 up to $227 per kilowatt; and in order to be perfectly conservative, recognizing the fact that some of our stations are not right up to date, we have taken the figure of $175, which is less than the very latest power station we built—a big turbine power station in South Boston, which has just been constructed by Stone & Wester. We have taken the taxes and the depreciation on power stations on the same basis as I have mentioned.

The power transmission lines are the overhead feeders and the underground feeders and we have allowed, per car, $45 per kilowatt, which is a conventional figure used by most railroad men in estimating the cost of power.

For the track investment we have taken the total number of car-miles run on the whole system last year, all the surface miles. We took the value of the track at $9,300,000 and we figured the interest at 5 per cent. We took the depreciation at 6 per cent and the taxes at one-half the State rate, again assuming that one half was bought with bonds and the other half of it stock. So far as the depreciation of the track is concerned, I know from actually checking up our accounts that all of the track which we have taken up for the last 10 years has averaged 12.4 years; that is, the life of the track has been 12.4 years. Yet, I am assuming a life of 16⅔ years, on the theory that the track which we have been putting in within the last 10 years will last still longer. In other words, every figure is as conservative as we know how to make it, and yet it shows this loss of over $15,000 a year.

On the cost of the power used, we have taken the cost of the power at 0.0075 cent per kilowatt, and that will stand by comparison with any other electric-light or power rate in the country where used for similar purposes.

The cost of wages of car crews is absolute. We have crews set aside for this purpose and we know positively what wages we pay. It cost us, last year, 8.422 cents per mile.

The cost of maintenance of mail-car bodies I have taken the absolute amount we have spent in 33 months and have allowed $750 for painting which is about to be done. That shows 0.482 cent per car-mile. The cost of the maintenance of the car trucks we simply took from our regular account.

The cost of maintenance of tracks per car-mile we estimated, for the reason that we felt that it was not right to charge as much for the maintenance of tracks where these mail cars are so light and so small as we would have to charge for an ordinary passenger car. We have some very heavy passenger cars in Boston, as well as light ones.

The CHAIRMAN. What do you charge for the heavy passenger cars?

Mr. NEAL. Last year the cost of maintenance of track was a little over 2 cents and we took three-fourths of that as being a fair amount for the lighter car.

On the matter of miscellaneous transportation, car-service employees and expenses, I have enumerated there the items which are put in. It goes without saying the cars use lamps, lubricants, waste; they have the use of switchmen, car-house employees in shifting cars, cleaning them, greasing, sanding tracks and removal of snow, and I have shown just exactly what it is per car-mile. Taking all of those items in a group, they amount to 1.68 cents per car-mile.

We distribute the expense according to the number of miles that each car ran; that is, we ran 46,000,000 service miles last year.

The CHAIRMAN. The total?

Mr. NEAL. Yes.

The CHAIRMAN. Then your percentage is worked down on 225,695—forty-six millionth of that amount?

Mr. NEAL. Yes. Of course, they may use more or less switchmen, but we have taken this as the average, which is the best that can be found.

With regard to our general expenses, salaries, stationery, printing, and miscellaneous expenses, we put them at 2.79 cents.

The CHAIRMAN. Why do you allow that—on the same system?

Mr. NEAL. Yes. That shows a cost to us of 23.137 cents per car mile and we are receiving 15.58. If these figures were compared with those of the Postmaster General there would be apparently a slight difference because I have thrown out the 25-foot box car.

The CHAIRMAN. His figures would be more in your favor than those figures, according to your own judgment?

Mr. NEAL. It depends on how he figured them. It would make very little difference, but for the 25-foot car they are allowing us 20 cents per mile, because it is a large car and if that mileage is added to this other mileage it would appear we were getting 16.1 cents per car mile, whereas, as a matter of fact, we are not for cars of the standard size.

The CHAIRMAN. As I understand, under the law applicable to lines of your nature, there is a maximum of 1 cent per linear foot per car mile?

Mr. NEAL. Yes, sir.

The CHAIRMAN. Do you receive the maximum all the way through?

Mr. NEAL. We do not on the 25-foot car, but we do on those others.

The CHAIRMAN. On the nine 16-foot cars?

Mr. NEAL. Yes.

The CHAIRMAN. Under the plan under which the electric lines are operating space is the determinate factor as to the measure of the service rendered?

Mr. NEAL. Yes; it is.

The CHAIRMAN. Have you any suggestions to make for the information of the committee as to how that measure could be improved? I am not speaking of the rate, but I am speaking of the yard stick, as you might say.

Mr. NEAL. I would not suppose offhand that the factor of weight would be the base in this case for the reason that a car may be half filled, and it is expensive business running cars in a large city, and where the distances are short it makes a very marked difference in the compensation. For instance, you might cut down compensation one-half on all the evening mail, or any light mails, because the mails only weigh half as much, whereas the company would be put to substantially the same expense whether the car was filled or half filled. While I have not studied that phase of the question, I should say for such service you ought to pay by space.

Mr. LLOYD. Do you understand the present system of compensation by weight for carrying the mail on steam railroads?

Mr. NEAL. I do not; no, sir,

Mr. LLOYD. It is a complex system unless you know something about it.

Mr. NEAL. Well, I do not, but I do know you can substantially measure the space of a street railroad car by taking its length, for the reason that the gauges are pretty nearly alike in most cities; there may be some narrow-gauge roads I do not know anything about, but you do not find them in the big city service we are talking about. Therefore, if you pay for the length of a car for every mile it runs you have a reasonable basis on which to make the payment, and that it is possible to determine a fair rate is indicated by this paper, as I have analyzed the different elements that enter into it.

The CHAIRMAN. What percentage of your total mail business is handled by these full cars, the nine 16-foot cars and the one 25-foot car?

Mr. NEAL. I think that was a question that came up a few minutes ago. The actual mileage, or amount that we should have received from the Government, if accounts for the year had been adjusted, should be $36,312.53 for car service and $536.34 for pouch service.

The CHAIRMAN. About 1½ per cent for your pouch service, or a little less than 2 per cent?

Mr. NEAL. Yes.

The CHAIRMAN. How do you determine the compensation you receive on your pouch service?

Mr. NEAL. We have so far taken what has been given to us. There is another matter that the American Electric Railway Association

had already taken up before the Committee on Post Offices and Post Roads, when they had the hearings back in May sometime. That matter, however, is not the one which they are trying to bring up to-day.

The CHAIRMAN. You say you take what is given you by the department. Do you know how the department determines what they shall give you for your pouch service?

Mr. NEAL. No. But I know that the American Electric Railway Association states the present rate to be, for 2,000 miles or less, $150 per annum, for closed-pouch service; for more than 2,000 miles and not more than 3,500 miles, $175 per annum; for 3,500 and up to 5,000 miles, $200.

The CHAIRMAN. The point I want to bring out is whether the compensation you do receive is determined by weight or by space?

Mr. NEAL. They do not seem to base it on either. It seems to be according to mileage and does not say anything about the size of the pouch or the space it occupies, or how much it weighs.

The CHAIRMAN. Is that all you have to present to the committee, Mr. Neal?

Mr. NEAL. I think that is all; yes, sir.

The CHAIRMAN. We thank you very much for your views.

## STATEMENT OF ALEXANDER R. PIPER.

The CHAIRMAN. Mr. Piper, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you kindly state your name, residence, and occupation?

Mr. PIPER. Alexander R. Piper, general freight agent of the South Brooklyn Railroad, in charge of mail of the Brooklyn Heights Railroad Co. My age is 47; residence 7522 Second Avenue, Brooklyn.

The CHAIRMAN. How long have you been connected with the Brooklyn Railroad?

Mr. PIPER. Nine years, sir.

The CHAIRMAN. In your present official capacity?

Mr. PIPER. Five years.

The CHAIRMAN. Are you also a member of the association of the electric lines?

Mr. PIPER. I am a member of the American Railway Association.

The CHAIRMAN. Representing practically all of the electric and elevated lines of the United States?

Mr. PIPER. Yes, sir; city and interurban.

The CHAIRMAN. Have you an official position with that association or committee? Has it made an organization?

Mr. PIPER. I am a member of the committee on compensation for the carrying of the United States mail.

The CHAIRMAN. For this association?

Mr. PIPER. Yes, sir.

The CHAIRMAN. Will you favor the committee with such views as you have to suggest relative to that service?

Mr. PIPER. The Brooklyn Rapid Transit System has for a number of years been carrying both pouch mail and operating independent mail cars.

The CHAIRMAN. How many independent mail cars?

Mr. PIPER. Eleven independent mail cars.

The CHAIRMAN. Their length?

Mr. PIPER. There are two sizes—15½ feet and 19.58 feet. That is the inside dimension of the cars.

The CHAIRMAN. What do you get for the 15½-foot cars per car-mile?

Mr. PIPER. Fifteen and one-half cents per car-mile.

The CHAIRMAN. What for the other?

Mr. PIPER. Nineteen and fifty-eight one-hundredths cents per car-mile.

The CHAIRMAN. You get a maximum in both cases allowed under the law?

Mr. PIPER. Yes. I believe Mr. Neal did not state, under the Post Office Regulations, in connection with the appropriation, they can not pay for over 20 feet on an independent car. That is the reason why he is operating a 25-foot car and is paid only at the rate of 20 feet.

The CHAIRMAN. Are there any other cases you know of in the electric service where they operate over a 20-foot car?

Mr. PIPER. I know of one case in Philadelphia of a new car that has just been built at the request of the Post Office Department. That is 25 feet in size.

The CHAIRMAN. And all the compensation they can receive is for a 20-foot car?

Mr. PIPER. Twenty cents per car-mile; yes, sir.

The CHAIRMAN. And this car was built at the request of the Postmaster General, was it?

Mr. PIPER. Yes, sir.

The CHAIRMAN. Will you kindly continue?

Mr. PIPER. To explain the pouch service, which was asked Mr. Neal; that is based upon the shipment over a route, regardless of the number of pouches or the weight of the pouches. It is simply a number of pouches placed upon the front of a passenger car. The shipments may be from a railroad station or from a main post office to a number of substations along this line. There may be a number of throw-offs and take-ons in that route, but the compensation is based only upon the total run from one end of the route to the other; i. e., between the post offices at the ends of the line.

The CHAIRMAN. Is the measure an assumed average weight for the pouch, if loaded, and that taken as the determining factor on the number of pouches?

Mr. PIPER. No, sir. The number of pouches or the weight of the pouch is not taken into consideration at all. It is simply 3 cents per mile for the distance traveled between the post offices.

The CHAIRMAN. Regardless of the number of pouches carried?

Mr. PIPER. Yes, sir.

The CHAIRMAN. It is just a lump sum?

Mr. PIPER. Yes, sir.

The CHAIRMAN. Determined how? On the average of business?

Mr. PIPER. I do not know how that was originally determined. We have some cases in which we will receive one pouch to carry the entire distance and in other cases we will have from 14 to 15 pouches to carry.

Mr. LLOYD. You receive the same for carrying one pouch as you do for carrying 15?

Mr. PIPER. Absolutely.

Mr. TUTTLE. What is the average?

Mr. PIPER. From five to six. That will depend a good deal on the route and the number of substations on the route.

Mr. TUTTLE. You never have more than you can throw on the front platform of a car?

Mr. PIPER. We had an instance a short time ago in which the substation attempted to put 14 pouches on the front of the car and the motor man refused to receive them. He was notified that he would have to receive them, and he said he would not because he could not operate his car with that amount of mail. He stopped and held the car until an inspector came, but he was told by the inspector he had to take what was given him, regardless of the number of pouches, and he took them. On the strength of that we discontinued the carrying of pouch mail. Yesterday was the last day we carried pouch mail, and we gave the Post Office Department 60 days' notice.

The CHAIRMAN. The 60 days expired yesterday?

Mr. PIPER. Yes, sir.

The CHAIRMAN. How was this 3 cents per car-mile determined? Have you any knowledge of that?

Mr. PIPER. No, sir; I do not know.

The CHAIRMAN. You were simply notified that that allowance would be granted you by the Government?

Mr. PIPER. Yes, sir.

Mr. TUTTLE. Is that a special compensation for your line?

Mr. PIPER. No, sir. I tnink you will find in the bill authorizing the compensation for mail an allowance of 3 cents per mile. Then there is, I think, $25,000 extra allowed in the appropriation to pay for extra service at the rate of 4 cents per mile, where the amount of service is very great and the number of throw-offs very great.

Mr. WEEKS. Your charter, I suppose, authorizes you to carry passengers, freight, mail, and express?

Mr. PIPER. Yes, sir.

Mr. WEEKS. Do you think under that charter you can refuse to carry mail?

Mr. PIPER. Our attorneys believe so. I do not believe I am competent to speak on that.

Mr. WEEKS. Do you think you could refuse to carry a passenger?

Mr. PIPER. No, sir.

Mr. LLOYD. Could you refuse to carry freight?

Mr. PIPER. We never have. I doubt if we could refuse to carry it, as we are under the Interstate Commerce Commission.

Mr. LLOYD. Why could you not refuse to carry passengers and not refuse to carry freight and refuse to carry mail?

Mr. PIPER. We decline to carry it at the compensation given us.

Mr. LLOYD. Could you not decline to carry a passenger at the compensation?

Mr. PIPER. I do not think so, because the compensation is duly fixed by the public-service commission.

Mr. LLOYD. Suppose the public-service commission would fix a rate that you would say was not compensatory. Do you think you could refuse to carry passengers?

Mr. PIPER. No, sir.

Mr. LLOYD. Why did you refuse to carry mail if it is not compensatory?

Mr. PIPER. The only reason is because the principal business of these trolley lines is the carriage of passengers and any interference with that should be avoided as far as possible.

Mr. LLOYD. Anything that interferes with the Government ought to be avoided, as far as possible, ought it not?

Mr. PIPER. I agree with you thoroughly on that.

Mr. LLOYD. Then you think that private individuals have rights that the Government has not?

Mr. PIPER. I think that the primary duty of the trolley service is to accommodate the public they are carrying.

Mr. LLOYD. If the public is benefited by the carriage of mails, can you refuse that?

Mr. PIPER. I believe, if I may not answer directly yes or no——

Mr. LLOYD. I should not press you on that because you say you have acted under advice of counsel and you are simply giving your own opinion.

Mr. PIPER. It would simply be my own opinion.

Mr. TUTTLE. Did the Government contest your right to carry this mail?

Mr. PIPER. No, sir; they merely asked for additional time until they could make the proper wagon or automobile arrangements for the service.

Mr. TUTTLE. They did not claim they could compel you to carry the mail?

Mr. PIPER. No, sir.

By permission Mr. Neal asked a question as follows:

Mr. NEAL. Did not your contract specify you had a right to terminate the carrying of the mail upon the giving of certain notice, and is not that the basis on which you discontinued it?

Mr. PIPER. That is the basis on which we discontinued it. We entered into a contract for that matter.

The CHAIRMAN. Suppose the Government should to-morrow stop carrying any mail. What would be the effect on all the business of the country?

Mr. PIPER. I am afraid it would be very disastrous. There is no question about that. To show that we do not want to interfere with the Government, we gave the Government 30 days' notice, as required by the agreement, and a representative of Mr. Stewart's office came to us and asked if we could not extend that time until they found they could put in automobile service, and I said "Yes," and I further extended it six days after that because they had some trouble in putting the proper racks on the wagons. We did not want to interfere with the mail, but we did not want to interfere with the passenger business.

The CHAIRMAN. Do you feel that the advantages incident to the mail service are such that the transportation of mail should be figured from an entirely different viewpoint from what you would ordinarily take in the transportation of general business—freight and passengers?

Mr. PIPER. Yes; because it is a special service.

The CHAIRMAN. Then your opinion is that the Government should not pay as high a rate for mail transportation as you would expect from the citizen in ordinary business?

Mr. PIPER. You mean as to the transportation of freight or passengers?

The CHAIRMAN. Both combined; the general transportation business. In other words, that mail transportation is an advantage on account of the benefits the railways receive due to the extension of business incident to the mail facilities?

Mr. PIPER. I should say it is a special service and it should be paid for on the basis of special service, just exactly as we give special service in the carrying of passengers.

The CHAIRMAN. Then you deal with the mail as you do with ordinary business and make no allowance for indirect benefit incident to mail facilities?

Mr. PIPER. No, sir; I do not say that. I say that, while it is a special service, I do not think we could expect to receive as much for it as we would either for the express, freight, or passenger service, nor do we.

The CHAIRMAN. But you do feel you are certainly entitled to compensation that will at least remunerate you for the cost of the service?

Mr. PIPER. That is precisely our position.

Mr. LLOYD. I think probably the record would be misleading as to your answer to Senator Weeks's question. The reason that you said a while ago that you are not required to carry the mail was because of the contract which the Government had entered into with you, and it was not because of the general proposition which governs in the carriage of passengers, carriage of mail, and carriage of express?

Mr. PIPER. That is correct. We have a contract with the Government.

Mr. LLOYD. And you do not have the contract with reference to carrying the passengers and carrying the freight?

Mr. PIPER. No, sir. In that respect we are under the control of the public service commission as to what we shall charge.

Mr. LLOYD. You are not liable in the other case because of the contract?

Mr. PIPER. No, sir.

Mr. LLOYD. You simply had to carry out the provisions of the contract, and your contract provided that 30 days' notice should be given to terminate it?

Mr. PIPER. Yes, sir.

Mr. LLOYD. And all you had to do to carry out the contract was to give 30 days' notice?

Mr. PIPER. Yes.

Mr. LLOYD. But that does not apply to the general proposition with reference to your liability to carry mail?

Mr. PIPER. No, sir.

Mr. LLOYD. If it was insisted, you would carry it?

Mr. PIPER. Yes, sir. If the question were brought up by the Government as to whether we would have to carry the mail or not, my opinion is that we would have to carry it. Then we would simply have to appeal to Congress to adjust the rate so that we would not be carrying it at a loss.

Mr. LLOYD. I am glad to hear you say that, because it is different from what you said a while ago.

The CHAIRMAN. Under the contract, you were required to give 30 days' notice. As a matter of fact, you gave the Government 60 days' notice?

Mr. PIPER. Sixty-six days.

The CHAIRMAN. At the request of the department for an extension of time?

Mr. PIPER. Yes.

Mr. WEEKS. What would you say to this proposition: Suppose we rescinded all of the law applying to the rates which you should receive and you made your contracts direct with the department for carrying this mail. Would you be satisfied with the rate which the department was willing to pay, or would you rather have it left with the Interstate Commerce Commission?

Mr. PIPER. I would be willing, as far as I am concerned, to leave it with the Interstate Commerce Commission, because the deals I have had with the Interstate Commerce Commission I have thought just and fair.

Mr. WEEKS. Do you think that would be a judicious way, from the standpoint of the Government, to handle this question on trolley lines?

Mr. PIPER. Yes, sir.

Mr. WEEKS. Are the conditions such on different lines that different rates would necessarily have to be paid, or do you think a general rate could apply?

Mr. PIPER. I think a general rate would apply, sir.

Mr. LLOYD. You would not have that apply to interstate roads only, would you?

Mr. PIPER. I was going to bring up the question. I do not know that the Interstate Commerce Commission would have power in a great many of those cases; in fact, in most cases they would not have. I was addressing the general question.

Mr. WEEKS. I am not assuming that they have the power but Congress could give them the power in such cases if it saw fit to do so.

Mr. PIPER. The carriage of mail, apparently, is an interstate business.

The CHAIRMAN. So far as the electric lines of the country are concerned, according to your understanding would they be satisfied to carry the mail at cost to them?

Mr. PIPER. Apparently not, from the answers that I have had. I have communicated with practically every road in the United States on the question of compensation, and the replies received from them all indicated that they expected to be paid the cost plus some percentage as a profit.

The CHAIRMAN. What percentage as a profit and how would that percentage of profit be ascertained?

Mr. PIPER. That I could not answer. They have simply given me bulk figures. I tried to ascertain what figure would be satisfactory.

The CHAIRMAN. My question was based on the result of information submitted by Mr. Neal, who preceded you, in which, if I understood him correctly he took the position that at the rate of 1 cent

per linear foot-mile they were losing 50 per cent in actual cost of the service on the system that he is connected with and that he hoped that Congress would increase that rate from 1 cent to 1½ cents, in which event, in his opinion, his company would receive from the Government what the actual cost to the company was for the activity.

Mr. WEEKS. Have you examined these figures to analyze them?

Mr. PIPER. Not very carefully; no, sir.

Mr. WEEKS. You do not know whether they would be applicable to your road, do you?

Mr. PIPER. I had them given to our auditor and he said they were substantially in accordance with the figures that he had. There were some slight differences.

Mr. WEEKS. Did he mention any particular difference?

Mr. PIPER. No, sir; but I have a statement from our own road as to the operations for the year ending June 30, 1912, but it is not given in detail as Mr. Neal's here. I can procure it if you desire it in that form.

The CHAIRMAN. Is there a general form among the electric lines of the country followed in the way of apportionment of operating expenses?

Mr. PIPER. Yes, sir; as prescribed by the public service commissions, and they are practically the same throughout.

The CHAIRMAN. So that if you tried to work out on your line the information worked out by Mr. Neal's statement you would probably adopt the same system in coming to your conclusions?

Mr. PIPER. Yes, sir; except that all auditors would have different ideas as to the valuation of property and the percentages which should be given to certain classes of property, and the way in which to divide it, so that there might be a slight difference in that way, but I think the general figures would turn out very close to what Mr. Neal has.

The CHAIRMAN. You heard Mr. Neal's presentation and explanation of the figures that he submitted?

Mr. PIPER. Yes, sir.

The CHAIRMAN. Is it your opinion, with your technical and practical experience, that that is a fair presentation, dealing fairly with both sides, namely, the Government and the transportation companies?

Mr. PIPER. Yes, sir; I think it is more than conservative.

The CHAIRMAN. By "conservative" you mean that it is rather against the transportation companies?

Mr. PIPER. Yes, sir.

The CHAIRMAN. It would be giving the Government the benefit of all doubt?

Mr. PIPER. The benefit of all doubt. Our figures show 24.88 cents per car mile as our operating cost for the mail cars.

Mr. WEEKS. You cars are a little larger?

Mr. PIPER. They are a little larger and I do not think that we have made, as I recollect it, the allowance for the difference in the size of the cars as to the amount of power used. I noted Mr. Neal has not taken the average I have taken.

The CHAIRMAN. Have you any statement to present to be inserted in the record?

Mr. PIPER. Yes, sir; I would like to hand you this letter from our auditor:

BROOKLYN, N. Y., *February 4, 1913.*

Capt. A. R. PIPER,
*85 Clinton Street, Brooklyn, N. Y.*

DEAR SIR: In answer to your inquiry as to cost of operating mail service, fiscal year ending June 30, 1912, the actual operating results for the year are shown in the accompanying statement.

Of course, you are aware that this exhibit, if anything, understates the operating expenses, for the reason that we have never attempted to burden this division with items of a general administration character, including with the general expenses for the mail division only such items as are directly connected therewith. To attempt to give you the taxes and fixed charges applicable to mail service, as such, would involve too many arbitrary conclusions, and I think it preferable and much more equitable to give you the unit of taxes and fixed charges per car-mile for the entire Brooklyn Rapid Transit system for the period in question. These are: Taxes, 0.021; fixed charges, 0.065 per car-mile.

Reducing the expenses shown on the accompanying exhibit to a mileage basis, the actual expense, exclusive of taxes and fixed charges, is 0.1628 per car-mile, and inclusive, 0.2488 per car-mile. Taking the Government's allowance for the small car, viz, 0.155, there is an apparent loss of 0.0938 per car-mile, and on the larger car, on which the Government's allowance is 0.1958, the apparent loss is 0.0530 per car-mile.

Yours, very truly,

HOWARD ABEL, *Comptroller.*

*Brooklyn rapid transit system—Actual result of operating United States mail cars, year ending June 30, 1912.*

| | | |
|---|---|---|
| Revenue from transportation, freight revenue | $40,441.23 | |
| Total street railway operating revenues | | $40,441.23 |
| Operating expenses: | | |
| Maintenance of way and structures | 5,159.02 | |
| Maintenance of equipment | 3,757.85 | |
| Transportation expenses | 28,273.41 | |
| General and miscellaneous | 1,134.86 | |
| Total operating expenses | | 38,325.14 |
| Net revenue from operation | | 2,116.09 |

Mileage, 235,393.
Expenses per car-mile, $0.1628.
Correct:

HOWARD ABEL,
*Comptroller.*

FEBRUARY 4, 1913.

The CHAIRMAN. You have no statement on the line of that prepared by Mr. Neal?

Mr. PIPER. No, sir; I have not, but I would be very glad to have it gotten up, if you desire it, in that form.

The CHAIRMAN. Would it be much trouble and expense?

Mr. PIPER. No, sir; it can be very readily gotten out.

The CHAIRMAN. I think it will be interesting to show the similarity and I will be glad if you will, at your convenience, send it to us.

(This statement will be found at the close of Mr. Piper's testimony.)

Mr. WEEKS. Did you say the Public Service Commission of New York prescribes this form of preparing the cost?

Mr. PIPER. Yes, sir.

Mr. WEEKS. Does a railroad commission or a similar commission in other States prescribe the same form?

Mr. PIPER. I think their statement is based upon the Interstate Commerce Commission's statement.

Mr. WEEKS. I would like to ask Mr. Neal if the form he has used in the statement he submitted is a form which is approved by State railroad commissions, the Interstate Commerce Commission, or of public service commissions?

Mr. NEAL. No. It is no special form. It just happens to be the way in which I made that statement, but it is possible from the account prescribed by the commission to make up the statement in that way.

Mr. WEEKS. Substantially that would be the form that would be required by the Interstate Commission?

Mr. NEAL. They never have a reason to ask a question in this form; that is, as to how much it would cost to perform the mail car service. They simply have an account for the maintenance of equipment; under the head of that there will be an item that treats of mail cars, surface cars, etc.; they do not ask for it specifically in this way. I have lifted it out from a mass of certain information and condensed it into this form in my own way, but it is possible for any other road, because of the way in which the accounts are kept, to make a statement in just that form.

The CHAIRMAN. There is a general form then, standardized by the approval of different public-service commissions and the Interstate Commerce Commission, and you have simply elaborated your statement upon that form and made it specifically applicable to pouch and mail transportation on your line?

Mr. NEAL. Yes.

The CHAIRMAN. Is the general standard form an elaborate lot of questions, or is it merely made up of a few general heads?

Mr. NEAL. It is quite a voluminous affair, and it does not specially mention mail cars, except here and there. For instance, out of 88 operating expenses there are some 24 that are subdivisions of the maintenance of track, account No. 1, ballast and account No. 2, ties, etc.

The CHAIRMAN. How many items in the standard form would there be?

Mr. NEAL. There are 88 operating accounts. Then there are several revenue accounts of which only one is mail-car earnings. Then there are fixed charges, taxes, and things of that sort. In order to arrive at those taxes we have to value the cars and take the tax rate on them.

The CHAIRMAN. The particular point I want is whether it would be worth while to take this standard form approved generally by the public-service commissions and the Interstate Commerce Commission and put it into the record here in this connection?

Mr. NEAL. I think not.

Mr. LLOYD. Mr. Piper, what was your total compensation last year?

Mr. PIPER. $40,271.

Mr. LLOYD. What was the expense?

Mr. PIPER. About $58,000.

Mr. LLOYD. That would make about 43 or 44 per cent?

Mr. PIPER. Yes, sir. In that $40,271 there is about $2,300 for pouch service.

The CHAIRMAN. You received $40,271?

Mr. PIPER. Yes, sir.

The CHAIRMAN. You estimate that your expense for the service was $58,000?

Mr. PIPER. About $58,000; yes sir.

The CHAIRMAN. Do you think if you carried no mail whatever that your cost of operation would have been $58,000 less than your actual cost?

Mr. PIPER. No, sir.

The CHAIRMAN. How much less?

Mr. PIPER. That is a pretty hard thing to figure, Senator. You can sometimes, under your organization, put in additional divisions, as, for instance, putting in a small amount of freight or a small amount of mail, and practically operate under the same operating officers and supervision that you had before. Therefore you might remove this without being able to materially decrease the amount of your operating expenses. The exact amount of that would be pretty hard to state. There is a certain amount that would come out immediately upon the taking out of the mail service.

The CHAIRMAN. Based upon your experience and familiarity with the operation and accounting of your line, what, in your judgment, would have been the decrease in operating expenses of your line in dollars if it carried no mail whatever, as against the $58,000 which you think carrying the mail cost you? I realize the difficulty, but I do not know but what you might give some information that would be illuminating on that particular point.

Mr. PIPER. I should say, roughly speaking, in the neighborhood of $45,000. I would have to check that pretty closely to make that statement positively.

The CHAIRMAN. In your computations you made no allowance for loss of efficiency of service, so far as schedules were concerned, any accidents, or anything of that kind?

Mr. PIPER. No, sir; that is not taken into consideration at all. There is one other thing I would like to have stated in the record in regard to the mail carriage. We are paid from post office to post office, regardless of the additional mileage we may have to make to get a cross-over to run back on our line or to house our cars. This dead mileage amounts to considerable and also in the schedules that are sometimes put up to us by the Post Office Department requiring unnecessary delays. So far as we are concerned, often our men are standing idle, for which we are getting no compensation, but we must pay them. Often a schedule will be so arranged that a man will stand idle for two hours before he goes out on a run. In those cases we have tried to get the department to help us and they have have tried to help us, but they have to take into consideration the way the mail comes to them, how they pouch it. I would like to further state, in reference to those independent cars, it is not merely the carriage of the mail that the Government gets out of. The cars are all racked and they carry the clerk who racks the mail and puts it up in packages while he is en route and has it ready to go directly into the pouches at the terminal when he arrives.

The CHAIRMAN. The racking and fitting up of the cars you do at your own expense?

Mr. PIPER. Yes, sir.

The CHAIRMAN. Under directions or specifications supplied by the department?

Mr. PIPER. Under their directions, and we are required to submit plans for their inspection and approval.

Mr. WEEKS. What kind of employees do you use on the mail cars?

Mr. PIPER. We select the best motormen in the service.

Mr. WEEKS. How about the conductors?

Mr. PIPER. We use a cheaper man, what we call a trolley holder. We do not call him a conductor. He is a cheaper man than a conductor.

Mr. WEEKS. Are they not, practically, pensioned men?

Mr. PIPER. No; we use young boys. Pensioned men can not handle that. The mail service is faster than the passenger service on the same line because they start out and catch up on the schedule ahead of them, so our mail service all over Brooklyn is faster than the passenger service on the same line.

The CHAIRMAN. Do you know of any general plan by which you could improve the present method of ascertainment of your compensation? Your criticism is that the amount of compensation received is insufficient to repay you for the cost of the activity. Could the present system of calculation by space be improved upon?

Mr. PIPER. I do not think so. I think the only thing to be taken into consideration is, if you mean by your measure of space linear foot mile, then if you are basing your linear foot upon the width of a steam car, which is wider than the surface or tolley car——

The CHAIRMAN. My question refers specifically to the electric lines and the elevated lines.

Mr. PIPER. The clearance is practically the same in both instances.

The CHAIRMAN. So there can be no improvement on the measure of the service.

Mr. PIPER. No, sir; I think that is the best method.

The CHAIRMAN. Has there been any irritation or difference of opinion between the department and yourselves as to the number of feet used?

Mr. PIPER. No, sir; that is absolute. That is fixed by the inside measure from post to post.

Mr. LLOYD. Do you agree with the gentleman who preceded you, Mr. Neal, that there ought to be a fixed charge as a basis on which to start? In other words, that you ought to have so much per car-foot mile, whether you render the service or not.

Mr. PIPER. You mean that there should be a minimum of mileage per car?

Mr. LLOYD. Yes.

Mr. PIPER. Yes, sir; because your investment must stand, and you must be ready for the service.

Mr. LLOYD. Then you agree with Mr. Neal in that?

Mr. PIPER. Yes.

Mr. LLOYD. Then you make that exception in the statement?

Mr. PIPER. Yes, sir; I did not understand that that was not considered.

Mr. LLOYD. Can you think of anything else that might be done to better the service and equalize the pay?

Mr. PIPER. No, sir.

The CHAIRMAN. We are very much obliged, Mr. Piper, for the information submitted.

*Brooklyn Heights R. R. Co.—Statement giving estimated cost of operation of mail cars.*

11 mail cars now owned, 9 in actual commission.
Mileage operated year ending June 30, 1912, 235.393 miles.

| | Cents per car-mile. |
|---|---|
| A. Car investment, taxes, interest, and insurance | 1.122 |
| B. Car house and shop facilities, taxes, interest, and insurance | .386 |
| C. Power station investment, taxes, interest, and insurance | .000 |
| D. Power transmission investment, taxes, interest, and insurance | 1.132 |
| E. Track investment, taxes, interest, and insurance | 2.714 |
| E1. Overhead investment | .433 |
| F. Cost of power, including interest on power station investment [1] | 2.580 |
| G. Wages of car crew | 6.040 |
| H. Maintenance of car bodies | .560 |
| I. Maintenance of car trucks | .400 |
| J. Maintenance of track | 1.840 |
| K. Wages of other transportation and car service employees and other expenses | 1.870 |
| L. Maintenance of line equipment, buildings, and electrical equipment of cars | 1.690 |
| M. General expenses | 2.410 |
| N. Taxes, other than property taxes included in items "A" to "E" | 1.397 |
| Total | 24.574 |

NOTE.—These figures are exclusive of any charge for theoretical depreciation, supercession, or obsolescence, or any element of profit beyond the legal rate of interest.

Approved.

HOWARD ABEL, *Comptroller.*

FEBRUARY 14, 1913.

| | | |
|---|---|---|
| A. Car investment: | | |
| Car body, including cost of equipping | $1,469.00 | |
| Vestibuling | 123.28 | |
| 2 W. H. No. 68 motors, at $375 | 750.00 | |
| 2 K–11 controllers, at $130 | 260.00 | |
| 1 Dupont truck | 300.00 | |
| | 2,902.28 | |
| For 11 cars | | 31,925.08 |
| Taxes, at $18.70 per $1,000 | | 597.00 |
| Insurance, at $4 per $1,000 | | 127.70 |
| 6 per cent on investment | | 1,915.50 |
| | | 2,640.20 |
| Investment charges per mile (on mileage operated year ending June 30, 1912), 1.122 cents. | | |
| B. Car house investment and shop facilities: | | |
| $1,000 per car | | 11,000.00 |
| Interest at 6 per cent | | 660.00 |
| Taxes, at $18.70 per $1,000 | | 205.70 |
| Insurance, at $4 per $1,000 | | 44.00 |
| | | 909.70 |
| Per car-mile (on mileage operated year ending June, 30, 1912), 0.386 cent. | | |
| C. Power station investment (included in cost of power). | | |

[1] Power purchased at switchboard of producer.

| | |
|---|---|
| D. Power transmission lines: | |
| Cost | $7,095,300.00 |
| Mileage surface lines, $49,322,535. | |
| Interest, at 6 per cent | 425,718.00 |
| Taxes, at $18.70 per $1,000 | 132,682.11 |
| | 558,400.11 |
| Per car-mile (on mileage operated year ending June 30, 1912), 1.132 cents. | |
| E. Track investment: | |
| Charges taken at the average cost per mile for the entire surface system— | |
| 542.602 miles, at $31,352 per mile | 17,011,657.90 |
| Mileage surface lines, $49,322,535. | |
| Interest, at 6 per cent | 1,020,699.47 |
| Taxes, at $18.70 per $1,000 | 318,118.00 |
| | 1,338,817.47 |
| Per car-mile (on mileage operated year ending June 30, 1912), 2.714 cents. | |
| E1. Overhead investment: | |
| Charges taken at the average cost per mile for the entire surface system— | |
| 542.602 miles, at $5,000 per mile | 2,713,010.00 |
| Mileage surface lines, $49,322,535. | |
| Interest, at 6 per cent | 162,780.60 |
| Taxes, at $18.70 per $1,000 | 50,733.29 |
| | 213,513.89 |
| Per car-mile (on mileage operated year ending June 30, 1912), 0.433 cent. | |
| F. Cost of power used, 2.58 cents. | |
| G. Wages of car crews: | |
| Year ending June 30, 1912 | $14,217.74 |
| Mail-car mileage, 235,393. | |
| Cost per car-mile, 6.04. | |
| H. Cost of maintenance of mail-car bodies | 1,318.20 |
| Mail-car mileage, 235,393. | |
| Cost per car-mile, 0.56. | |
| I. Cost of maintenance of car trucks | 941.57 |
| Mail-car mileage, 235,393. | |
| Cost per car-mile, 0.40. | |
| J. Cost of maintenance of tracks | 4,331.23 |
| Mail-car mileage, 235,393. | |
| Cost per car-mile, 1.84. | |
| K. Wages of other transportation and car-service employees and expenses: | Cents. |
| Superintendence of transportation | 0.84 |
| Switchmen, couplers, flagmen, etc | .35 |
| Car supplies | .21 |
| Car-house employees and expense | .27 |
| Wrecking expenses | .01 |
| Cleaning and sanding track | .08 |
| Removal of snow, ice, and sand | .06 |
| Operation of signal and interlocking systems | .03 |
| Operation of telephone and telegraph systems | .02 |
| | 1.87 |

| | Cents. |
|---|---|
| L. Maintenance of line equipment, buildings, and electrical equipment of cars, and miscellaneous equipment: | |
| Maintenance of line equipment | 0.28 |
| Maintenance of buildings | .13 |
| Maintenance of electrical equipment of cars | .83 |
| Superintendence of equipment | .05 |
| Miscellaneous equipment | .40 |
| | 1.69 |
| M. General expenses: | |
| Salaries, office and general expenses | .44 |
| Law expenses | .10 |
| Pensions and gratuities | .04 |
| Miscellaneous expenses | .25 |
| Injuries and damages | 1.54 |
| Stationery and printing | .04 |
| | 2.41 |
| N. Taxes: | |
| Special franchise | $200,930.33 |
| Bridge tolls | 60,731.48 |
| State tax on earnings | 79,444.16 |
| Federal tax | 40,427.49 |
| | 381,533.46 |

The Brooklyn Heights R. R. Co., total car-revenue miles, 27,301,459.
Cost of taxes per car-mile, 1.3975.
Mail-car miles, 235,393.
235,393 miles, at 1.3975 cents ..... $3,289.62

## STATEMENT OF MR. F. C. HAMILTON.

The CHAIRMAN. Mr. Hamilton, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you please state your full name, residence, age, and occupation?

Mr. HAMILTON. F. C. Hamilton, Chicago, Ill.; age, 29; occupation, statistician, Chicago railways.

The CHAIRMAN. How long have you been with the Chicago railways.

Mr. HAMILTON. One year.

The CHAIRMAN. Occupying the same position that you do now?

Mr. HAMILTON. Yes, sir.

The CHAIRMAN. You have had other experience, have you, in the railroad business similar to the Chicago railways?

Mr. HAMILTON. Only as an accountant.

The CHAIRMAN. How long experience have you had as an accountant?

Mr. HAMILTON. Five years.

The CHAIRMAN. You have heard the testimony of Mr. Neal and Mr. Piper?

Mr. HAMILTON. Yes, sir.

The CHAIRMAN. Have you any viewpoints or comments to make regarding the operation of the lines with which you are connected and the differences in experience, other than they have testified to concerning their own lines?

Mr. HAMILTON. Nothing, except to say that in Chicago our operation is entirely under the supervision of the board of supervising engineers. We are under municipal direction, and their requirements in the way of right of way and equipment have been strict, to an extent that our cost will be more than either of the other two roads whose representatives have testified.

The CHAIRMAN. What do you estimate your cost, as compared with those submitted by Mr. Neal and Mr. Piper?

Mr. HAMILTON. Our cost for the 11 months has been 25.75 cents per car mile.

The CHAIRMAN. You carry mail for the Government?

Mr. HAMILTON. Yes.

The CHAIRMAN. What is the gross amount you received from the Government in compensation for mail carriage last year?

Mr. HAMILTON. The gross amount received for the year ending January 31?

The CHAIRMAN. The calendar year?

Mr. HAMILTON. No. The year ending January 31. The gross amount is $36,427.

The CHAIRMAN. What do you figure it cost you to perform the service for which you received that amount?

Mr. HAMILTON. About $55,744.

The CHAIRMAN. Had you carried no mail at all, would your operating expenses have been $55,744 less than they were?

Mr. HAMILTON. No, sir.

The CHAIRMAN. How much less than they were, do you figure they would be?

Mr. HAMILTON. I have not figured that out carefully. It would have been probably from 85 to 90 per cent.

Mr. LLOYD. You mean from 85 to 90 per cent less or 10 to 15 per cent less?

Mr. HAMILTON. Eighty-five to 90 per cent less; if we were not required to perform the service, we could do away with all expense except that due to supervision.

The CHAIRMAN. If I understand your answer, if you had not carried mail your operating expenses would have shown $53,383 less than they have shown?

Mr. HAMILTON. As an estimated figure, of course.

The CHAIRMAN. That is on the basis of 15 per cent, or 85 per cent reduction of what the actual operating expenses were for carrying the mail, according to your calculation?

Mr. HAMILTON. Yes, sir.

The CHAIRMAN. How do you account for that difference of from 10 to 15 per cent in your estimated cost of operating expenses and the decrease in operating expenses if you had not carried any mail?

Mr. HAMILTON. It is entirely due to the fact that the mail service is so small a part of our total service that we would be unable to reduce our supervision expenses by taking off the mail service. In other words, we could not divide a high-priced man's salary or take off a portion of it.

The CHAIRMAN. Then the deduction of from 10 to 15 per cent is the charge to the mail of the overhead charge?

Mr. HAMILTON. Yes, sir.

The CHAIRMAN. The committee would be very glad to hear such views as you may have to express and any information you have to impart in this matter.

Mr. HAMILTON. Our cars at the present time are slightly over 20 feet in size. We are being paid on a 20-cent basis.

The CHAIRMAN. You say slightly over 20 feet. Do you mean inside measurements?

Mr. HAMILTON. Yes.

The CHAIRMAN. How much over?

Mr. HAMILTON. About 7½ inches. The department at the present time is requesting us to give them larger cars and better service.

The CHAIRMAN. Do they specify how much larger cars, whether a 25-foot car?

Mr. HAMILTON. They wanted a 25-foot car, inside measure.

The CHAIRMAN. What reasons did they assign?

Mr. HAMILTON. I am unable to answer that question.

The CHAIRMAN. Have you complied with that request at all?

Mr. HAMILTON. No, sir; we have not up to the present time. It has not been made in the way of a formal request, but there is an intimation that the request is to be made.

Mr. WEEKS. Do you know of any reason for maintaining that 20-cent limit?

Mr. HAMILTON. No, sir. I believe it was the limit fixed at a time when all cars used by the street railroad companies were considerably under 20 feet, inside measurements. The increase of length of cars on the street-car lines for the last few years has been out of proportion to the increase on other roads.

Mr. WEEKS. Why should there be any limit at all?

Mr. HAMILTON. There should not be any limit at all.

Mr. WEEKS. Have you heard any reasons for placing a limit?

Mr. HAMILTON. No, sir. The limit is unfair, under the present conditions. I did want to call to the attention of the committee, if I may be permitted, the mileage for which we are paid and which we have to run. We are paid on the basis of 188,000 and some odd car miles and we were obliged to run 216,000 car miles to get that mileage.

The CHAIRMAN. Explain that a little, please.

Mr. HAMILTON. It is due to the way Chicago is built up. The property down near our post office is entirely too expensive for car barns and we therefore must locate our car barns at places away from the post offices and all runs for which we are paid begin at the post office. This service back and forth must be done at our own expense.

Mr. WEEKS. Would not that be true in any place?

Mr. HAMILTON. No. Our passenger cars would start from the barn and carry passengers at once.

Mr. WEEKS. Yes, but it would be true, so far as the mail service was concerned, in Boston, and New York, and elsewhere?

Mr. HAMILTON. Yes, sir; it would be true in almost any city. The location of such stations from which the routes start would have some bearing on that.

Mr. WEEKS. Did you arrive at your cost in substantially the same way as Mr. Neal?

Mr. HAMILTON. Yes, sir. The accounts which we use in Chicago are divided practically on the same lines as are the accounts of the

other street railway companies, with some few changes which the board of supervising engineers insists on our keeping, and every figure we submit here is made from figures audited by the board of supervising engineers.

Mr. WEEKS. What is that board? Is it similar to the public-service commissions in other States?

Mr. HAMILTON. Yes.

Mr. WEEKS. Is that a State board, or does it apply to the city only?

Mr. HAMILTON. It is a municipal board.

The CHAIRMAN. Have you any statement to put into the record?

Mr. HAMILTON. I have no statement, nor is it the policy of the company to submit any statements, except those made up by the board of supervising engineers, and we have asked them to make a statement of this, which we hope you will allow us to submit.

The CHAIRMAN. As I understand, they occupy the same position that the public-utility commissions do in the other cities?

Mr. HAMILTON. Yes, sir.

The CHAIRMAN. That is the board of engineers for the city of Chicago?

Mr. HAMILTON. Yes, sir. This statement has been made up from the same figures that they use, but we prefer that they make the statement.

The CHAIRMAN. We will be very glad to receive that statement. We thank you very much for your expression.

## STATEMENT OF W. F. HAM.

The CHAIRMAN. Mr. Ham, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your full name, age, residence, and occupation and the capacity in which you appear before the committee.

Mr. HAM. William F. Ham, vice president and comptroller of the Washington Railway & Electric Co., Washington, D. C. Age, 42. I have been connected with that company since 1899 in the capacity of comptroller and as vice president for about a year and a half. I appear as a member of the committee of the Electric Railway Association on the matter of compensation and am also a member of the committee of the Electric Railway Accountants Association that has to do with the classification of accounts in connection with the Interstate Commerce Commission.

The CHAIRMAN. You have heard the testimony submitted by Messrs. Neal, Piper, and Hamilton. Have you any testimony to offer showing experience or conditions on your lines different from those on lines operated by the gentlemen I have named?

Mr. HAM. The company with which I am connected does not operate individual mail cars, and therefore I can not give any figures in respect to that service.

The CHAIRMAN. Your service is all a pouch service?

Mr. HAM. Ours is all a pouch service. I was furnished some 10 days ago with a statement that was prepared by Mr. Neal and asked

to go over it, criticize it, and I have made quite a careful examination of it and would arrive at substantially the same results. I think his allowance for depreciation and interest would be considered such as would be called for by good practice. I want particularly to call attention to one thing which has been suggested to me by the questions asked by the chairman, and that is, if the carriage of mail were looked upon as a by-product, what effect it might have upon the figures that are prepared by Mr. Neal. I would say that out of his total expense of 23.13 cents per car mile, it would be proper to eliminate the item of track investment if it is looked upon as a by-product, because I do not assume that ordinarily a track would be built where the carriage of mail would affect it one way or the other. Therefore I would consider that that item should be eliminated. Also under the general expense as described by Mr. Hamilton, there could be a very small expense saved if the mail were not carried. In other words, the conclusion that I come to is that out of the expense of 23.13 cents per car mile, even looking at it as a by-product, you could only take off about 3 cents; that the other costs are there whether you look upon it as a by-product or not.

The CHAIRMAN. Have you a prepared statement presenting your views?

Mr. HAM. No, sir; I have not.

The CHAIRMAN. What do you receive from the Government for the service you render, in the way of mail transportation?

Mr. HAM. Three cents a mile on the pouch service.

The CHAIRMAN. What does it amount to per annum?

Mr. HAM. I do not recall. It is a matter of minor consequence and I am not appearing here particularly on behalf of my company.

Mr. LLOYD. You appear as a member of the General Electric Railway Association?

Mr. HAM. Yes, sir.

Mr. TUTTLE. You have not had any of this trouble that Mr. Piper referred to in Brooklyn with respect to interference with your service by carrying pouch mail?

Mr. HAM. Not of that kind, but this is a much smaller city than Brooklyn. The compensation which is given for the carriage of pouches seems to me is on an entirely wrong theory. It stands to reason that we should be better compensated for carrying a number of pouches through this city than we should for only one pouch on a suburban line. The number of pouches that we carry is probably on an average very small compared with that carried by the Brooklyn Rapid Transit Co., yet we are given the same compensation that they are.

Mr. TUTTLE. Could you suggest some system of making some better or different arrangements?

Mr. HAM. I think it would be hard to lay down a rule which could be universally applied. You would come nearer to it by making some sliding schedule in cities of different sizes, because I presume the volume of mail would correspond to the size of the city. I also think that the basis of compensation on the length of a car should also have modifications, because the expense of operating a 25-foot car is not greater in the same proportion to the expense of operating a 16-foot car. There ought to be some standard or sliding scale,

varying according to the different lengths of cars if you want it on a cost that would nearly represent the cost of the service.

The CHAIRMAN. Haven't you a sliding scale where you have a system of 1 cent a mile?

Mr. HAM. That does not represent the difference in cost of operation. For instance, if we said that it cost 16 cents to operate a 16-foot car, it would not be true that it would cost 25 cents to operate a 25-foot car. Certain costs would remain the same and others would vary.

The CHAIRMAN. On the pouch service your position is that the greater the volume of business the less necessary compensation for the unit of business; that is, per pouch, if the pouch were a fixed measure. In other words, it would be cheaper per pouch to carry 50 pouches than it would be to carry one pouch?

Mr. HAM. Certainly.

The CHAIRMAN. The greater the volume of business, the less it would be, in the inverse ratio. Is there any further information, Mr. Ham?

Mr. HAM. No, sir.

The CHAIRMAN. We thank you very much.

## STATEMENT OF MR. JOHN WILSON BROWN.

The CHAIRMAN. Mr. Brown, it will be necessary that you be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you please state your name, age, residence, and occupation and the official position which you occupy with transportation companies?

Mr. BROWN. John Wilson Brown, Baltimore, Md.; president of the Maryland Electric Railways Co.; age, 76.

The CHAIRMAN. How long have you been identified with transportation lines?

Mr. BROWN. Continuously for some twenty-odd years. I really began when I was a young man, some fifty-odd years ago.

The CHAIRMAN. There is an association here in the United States, is there not, known as the Short Line Association?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Have you an official position with that association?

Mr. BROWN. I think I am vice president of it, but I am not certain. There is not much honor to it.

The CHAIRMAN The Short Line Association represents, as I understand, a number of the short steam railroads, the shorter lines?

Mr. BROWN. I am president also of the Maryland and Pennsylvania Steam Railroad. I thought your inquiry here to-day was altogether concerning the electric lines?

The CHAIRMAN. We would like as much information as possible and we desire to avail ourselves of an opportunity to get the views of the gentlemen before the commission.

Mr. BROWN. I came to-day rather as a listener than as a talker. I do not see, so far as I am concerned, that the testimony here this morning has been any but from the line of city delivery. My road is an interurban road. We just carry the mail the same as a steam

road does at present and we are getting the steam railroad compensation.

The CHAIRMAN. What criticisms or suggestions have you to make relative to the present method of compensation, so far as your lines are concerned.

Mr. BROWN. The particular criticism is that it is too low. On the Maryland & Pennsylvania Railroad I have had it worked up, but I have not had it worked up on the electric line. They are possibly the same. We are carrying mail at about 5 cents per hundred. That is not a very high rate of freight—a very low rate of freight—especially when you consider that in addition to the space occupied by the mail you have the space occupied by the mail clerk and his apparatus. Then we have to furnish various other things in connection with that.

The CHAIRMAN. Then on your lines, Mr. Brown, or those represented by you, weight rather than space is the determining measure of the service rendered?

Mr. BROWN. It is altogether that.

The CHAIRMAN. You have no R. P. O. cars?

Mr. BROWN. We get paid nothing whatever for the operation of the car fitted up as a post office.

The CHAIRMAN. Because you have no regular R. P. O. cars 40-foot or greater?

Mr. BROWN. No. But that is what we claim, we short-line people, where we have not mail enough to put in to require a whole car. If a 40-foot car is worth so much money, the 20-foot part of it is worth a proportionate amount.

The CHAIRMAN. Then your contention is, as I understand it, that the present system of compensation, a dual system of the R. P. O. cars for space and the general mail compensation for weight, is an injustice against the short lines because, on account of the 40-foot legal limitation, you receive no compensation whatsoever on the cars which you handle?

Mr. BROWN. Yes. The road that runs a full postal car gets paid by the weight of the mail and the car besides. We get paid by the weight of the mail.

The CHAIRMAN. Do you think if Congress enacted legislation that would give you compensation for the car space on the basis of the allowance made in your R. P. O. cars that the short-line roads would then get a fair compensation for the total service rendered.

Mr. BROWN. We are not satisfied under the present rate of compensation.

The CHAIRMAN. Have you had any statistics prepared by any of your subordinates demonstrating accurately what your cost is?

Mr. BROWN. No, sir; I have not. Here is a statement which I furnished that is printed in this record. This was made up by Mr. Sullivan Smith, president of the Short Line Railroad Association, and it goes into details.

The CHAIRMAN. Then the information contained in the preliminary report on pages 67, 68, 69, 70, and at the top of page 71 in the communication by Mr. Frank Sullivan Smith, president of the Short Line Railroad Association, gives your views and those of the Short Line Association, so far as you understand them?

Mr. BROWN. Yes, sir. There is also a communication in the earlier part of this pamphlet by Mr. Drake, secretary of the association. There is a copy of the Talbott bill, which we think would be an equitable bill.

The CHAIRMAN. You think what is known as the Talbott bill would be a fairer treatment to the short line roads than the existing legislation?

Mr. BROWN. That would give us fair treatment; yes.

The CHAIRMAN. Then the Talbott bill has the approval of the Short Line Association, so far as you know?

Mr. BROWN. Yes. There is one thing I would like to say in view of some matters that transpired here this morning. There seems to be an idea afloat that the United States is in a different position from any other shipper as regards the mail. I do not see that it is. The United States say they will not give more than so much money to the railroads, but on the other hand the railroads can say they will not take it at that rate, but the United States can not say that we must take it.

The CHAIRMAN. Do you not think that the United States can compel the railroads to carry the mails, provided the rate determined is not confiscatory?

Mr. BROWN. No, sir; I think not, sir. They have no right to come in ahead of everybody else, for the very fundamental principle of the interstate law is that every shipper is on the same basis. As a shipper the United States do not come as a paramount landlord.

The CHAIRMAN. Then, eliminating the legal question, do you not think as a matter of policy the transportation companies should take the mail at less compensation than they conduct the ordinary business?

Mr. BROWN. They might do that, but not take the mail as a gratituity to the United States; not take it if they do not pay them.

The CHAIRMAN. Have you seen any expression from anybody indicative that it would be advisable, if possible, to get the transportation companies to carry the mail for nothing?

Mr. BROWN. Well, that is what they are doing.

The CHAIRMAN. Carrying it for nothing?

Mr. BROWN. These gentlemen who testified here this morning said they were carrying it for nothing.

The CHAIRMAN. I hardly think the testimony we heard this morning is capable of that deduction.

Mr. BROWN. The expenses are more than they receive. Is not that carrying it for nothing?

The CHAIRMAN. No.

Mr. BROWN. Well, we may differ in terms, but if I put a dollar into one pocket and take out of the other pocket $2 for the same business, I am doing that business for nothing. My position is that the railroad is a partner with the country that it serves, and I have ordered things carried for nothing when I had a disputation of rates with a contesting line, because I thought it was for the good of the country. I never let the farmer wait for the matter of a settlement of rates. Take manure, for example, and I will cite an illustration: I was once carrying a lot of manure for the farmers in Anne Arundel County. They were getting it by the Pennsylvania Railroad and the Pennsylvania Railroad suddenly raised the rate to the junction

point to the amount of the rate at the delivery point. I directed our people to carry it for nothing for the farmer, but we got the rate fixed all right, and we never said anything to the farmer about it.

The CHAIRMAN. There were two reasons for that, competition with the Pennsylvania Railroad for one?

Mr. BROWN. No; there was no competition.

The CHAIRMAN. The reason was that it would pay you to carry it for nothing because you would get an indirect benefit?

Mr. BROWN. That is another matter, but that is where the partnership comes in.

Mr. WEEKS. What are the terminals of the steam railroad with which you are connected?

Mr. BROWN. Baltimore and York, Pa.

Mr. WEEKS. And the trolley line?

Mr. BROWN. Baltimore and Annapolis.

Mr. WEEKS. Are the services exactly similar?

Mr. BROWN. Substantially similar so far as the mails are concerned. I do not see any reason to draw any distinction between them.

Mr. WEEKS. On which road can you carry the mail the cheaper?

Mr. BROWN. We can carry them cheaper on the steam roads. You can carry anything cheaper on a steam road.

Mr. WEEKS. Why?

Mr. BROWN. Because it is more expensive to operate trolley lines. If you would give many steam roads in the country for their income—that is, their gross receipts—what the trolley lines are paying for their gross expenses, per mile, they would be very glad to get it. It is shown in statistics.

Mr. WEEKS. Why did you change?

Mr. BROWN. That is another matter. I did not do it.

Mr. WEEKS. Why did you change the service from steam from Baltimore to Annapolis?

Mr. BROWN. On account of competing lines. They do better by steam. These electric people tell you that if you turn a road into an electric line you will multiply your receipts three or four times. That may be so in some cases.

Mr. LLOYD. How does it happen, if it costs more to run an electric road than a steam road, that the passenger rate is usually about one-half on the trolley road of what it is on the steam road?

Mr. BROWN. Well, I do not know that that is a fact where they are under the same conditions. You are speaking now of the trolley road being a city road where there is a great concentration of travel.

Mr. LLOYD. No; I do not mean that. Take, for instance, Indianapolis—you can go out from that city for 100 miles in almost any direction on a trolley for about two-thirds of what you pay on a steam road.

Mr. BROWN. I know some trolley lines that do that same thing that come out short in the end.

Mr. WEEKS. Is not that pretty nearly universal?

Mr. BROWN. I do not know.

Mr. WEEKS. Would you be satisfied if you were paid the same compensation on the road from Baltimore to York that you receive for the service on the Annapolis road?

Mr. BROWN. We are charging the same rate between Baltimore and Annapolis on the trolley road that we did on the steam railroad.

Mr. WEEKS. I am talking about the mail.

Mr. BROWN. I do not know. What was your exact question?

Mr. WEEKS. My exact question was: Would you be satisfied if you would receive the same compensation for carrying the mail between Baltimore and York on the steam road that you receive for carrying it on the trolley between Baltimore and Annapolis?

Mr. BROWN. Well, we are under the same basis on that, the same scale. We have never changed since we changed into a trolley road. We give an apartment on the car and run it the same way.

Mr. WEEKS. I supposed you were receiving a compensation on the Baltimore & Annapolis Railroad?

Mr. BROWN. The basis you have been talking about this morning is a city basis where you run cars frequently and pretty much all of the time. As to this bill submitted by the Postmaster General, that strikes us as being wrong all the way through. The general principle of the bill, in the first place, is that it puts the whole matter of determining the question in the hands of the Postmaster General. It gives a maximum above which he can not go, but it does not require him to pay that maximum, but he can dicker with every railroad in the country under the terms of that bill.

Mr. WEEKS. Why shouldn't he?

Mr. BROWN. That ought to be fixed by law. It ought not be put in the hands of any Government servant.

Mr. WEEKS. Then why not fix freight rates by law?

Mr. BROWN. You do. The Interstate Commerce Commission fixes them so far as the interstate trade is concerned. The State commissions fix the rates so far as the States are concerned.

Mr. WEEKS. Is there any other reason why you should carry the mails on exactly the same basis that you carry the freight?

Mr. BROWN. Put them in in the same way.

Mr. WEEKS. Suppose you went to the Postoffice Department and tried to make an agreement for carrying the mails between Baltimore and York and you made one that was satisfactory to you. You will go ahead and conduct that service. Suppose it is not satisfactory to you and it is submitted to the Interstate Commerce Commission. Would that be a satisfactory method of procedure, from your viewpoint?

Mr. BROWN. Well, that is exactly what this bill calls for.

Mr. WEEKS. That is what would happen in the case of freight, or if you are doing business with anyone else than the Government.

Mr. BROWN. It is hardly right that the executive Government should be the shipper and the judge of the freight rate at the same time, for the Government is an interested party.

Mr. WEEKS. It is impossible to avoid that, and I think we could trust the Interstate Commerce Commission to be fair.

Mr. BROWN. You could give us a chance to go to the courts on it. I suppose the courts would have a chance, anyhow?

Mr. WEEKS. You can go to the courts now under the railroad rate law?

Mr. BROWN. Not under this bill. The Interstate Commerce Commission is final.

Mr. WEEKS. What I am trying to ask you is, do you see any reason for a difference of method in carrying the mail and carrying the freight?

Mr. BROWN. It is a different class of carriage. If you dump your mail pouches into a freight car it will go as freight.

Mr. WEEKS. I mean in the manner of reaching a proper compensation.

Mr. BROWN. Well, you can not reach it on a freight rate when you are carrying it not only as a passenger but as a passenger in an apartment.

Mr. WEEKS. I am not talking about passengers, but I am talking about freight. If you and a shipper in Baltimore do not agree on a freight rate between Baltimore and York the case goes to the Interstate Commerce Commission?

Mr. BROWN. Yes.

Mr. WEEKS. Why should you not do the same thing with the mail?

Mr. BROWN. Oh, I do not know. Because the Government wants you to make a contract for it.

Mr. WEEKS. Suppose the Government did not want a contract, but wanted to proceed in the same way, as, for instance, say it wanted some guns carried from an arsenal to the coast. Then it makes an arrangement with the railroad companies to conduct the service?

Mr. BROWN. Yes; and the rate is made according to the requirements of that particular service.

Mr. WEEKS. Would it not be so in the carrying of the mail?

Mr. BROWN. I do not know but what it would be proper to submit it to the commission if you gave the railroads a chance to go before the commission, too. In this bill of the Postmaster General there is no chance for the railroads to appear before the commission. I noticed that some of the replies to the circular issued by Senator Bourne talked about an appeal, but there is nothing there of an appeal in this bill.

Mr. WEEKS. Well, you have an appeal under the general law, so far as the Interstate Commerce Commission is concerned?

Mr. BROWN. But this does not come under the Interstate Commerce law. Post-office matter is different matter. There never has been any business in that line that came under the ordinary railroad business.

The CHAIRMAN. Are there any other viewpoints that you would like to present?

Mr. BROWN. There seems to be nothing provided in the law, as it stands, to pay the railroads for the parcels post for these six months.

The CHAIRMAN. There is nothing in the present law, of course, with reference to that.

Mr. BROWN. How are you going to pay them by a subsequent law? I have written to the Second Assistant Postmaster General in answer to a circular, with reference to our quadrennial weighing, asking him if they could not make a provision for a separate weighing of the parcels post, because from the weighing that takes place this winter the rate begins from the 1st of July. If you do not take some weighing of the parcels post, you do not get any pay for that for these six months, and unless you have a weight, how would Congress know? They would have nothing to base it upon for subsequent legislation.

It would require a special appropriation. Since that time I know of one postmaster on our line who has been directed to weigh the parcels post, but I think that is the only one.

The CHAIRMAN. What is the size of that office?

Mr. BROWN. It is the largest office on the line. I assume that that was for information as to what the probable increase in business would be due from what is known as the parcels post bill in fixing the weight limit and decreasing the average of rates on fourth-class mail matter. This January the express business has been increasing, so the parcels post has not hurt them whether it has taken anything away from them or not.

The CHAIRMAN. I will say that the Senate committee have that very question under consideration now, in the study of the post office appropriation bill. What the action of the committee and the action of Congress will be, I will not assume to state.

Mr. BROWN. Just as I said awhile ago, with regard to commodities, sometimes they carry them for nothing. I told Mr. Stewart we would not make any trouble, that we would carry it and render the service to our patrons whether we go paid for it or not, but we are breaking the Interstate Commerce law by doing it.

The CHAIRMAN. We thank you very much for your views.

Thereupon, at 1.15 o'clock p. m., the hearing was adjourned until Wednesday, February 12, 1913, at 11 o'clock a. m.

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## WEDNESDAY, FEBRUARY 12, 1913.

JOINT COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The hearing was resumed, according to adjournment, at 11 o'clock a. m.

Present: Senator Jonathan Bourne, jr., (chairman); Senator Harry A. Richardson; Representative James T. Lloyd; Representative William E. Tuttle, jr.; and Representative John W. Weeks.

## STATEMENT OF MR. RALPH PETERS.

The CHAIRMAN. Mr. Peters, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. You have, as I understand, some supplemental statements to make before the committee, in accordance with the understanding we had at our last meeting.

Mr. PETERS. In view of the information that you have asked for, Mr. Chairman, we have endeavored to prepare these statements. The first is in regard to the value of the railroad property used in connection with the mails and I have a brief statement here which I will read in that regard showing the allowance that should be put into cost to cover the interest on the property.

Although the Postmaster General's estimates of the operating expenses and taxes chargeable to mail transportation are too low further consideration of Document No. 105 may be based upon the

hypothesis that they are correct. On this assumption railway mail pay is too low if a reasonable return upon the fair value of the property used would exceed $11,253,866.15.

First. The Postmaster General's computations led to the following (Doc. No. 105, revised issue, pp. 280–281):

| | |
|---|---|
| Railway mail pay in November, 1909 | $3,607,773.13 |
| Operating expenses and taxes chargeable to mail transportation, same months | 2,682,797.92 |
| Balance, available for return on investment | 924,975.21 |

There are 30 days in November so that $924,975.21 for the month is equivalent to $30,832.51 per day. Multiplied by 365 this gives $11,253,866.15 as the annual sum available for a return upon the fair value of the property used.

Second. No valuation of the railway property used in the mail service has ever been made nor has there ever been any general valuation of all the railway property of the United States. Valuations made under State authority support the conclusion that the real value of railway property exceeds the par value of all the outstanding stocks and bonds. The following table was originally published by Mr. Slason Thompson, of Chicago:

| State. | Value, as stated by commission or tax board. | Capitalization. |
|---|---|---|
| Minnesota | $411,735,194 | $334,979,691 |
| South Dakota | 106,494,503 | 108,911,000 |
| Wisconsin | 284,066,000 | 249,299,060 |
| Texas | 413,000,000 | 412,465,743 |
| Washington | 186,007,490 | 153,493,940 |
| Total | 1,401,303,187 | 1,259,049,434 |
| Excess of total valuation over total capitalization | 142,253,753 | |

Mr. WEEKS. Has that valuation in each of those cases been by careful appraisal of the property, or is it an estimate based on stock and bonds?

Mr. PETERS. I do not know. This statement of valuation was published by the commissions or tax boards of the States named, but whether they were a full, complete valuation or an estimated valuation, it is the valuation as fixed by those five States—Minnesota, South Dakota, Wisconsin, Texas, and Washington.

The CHAIRMAN. Your idea in inserting this is to show the difference in the valuation placed by different boards or commissions on property as compared with the capital and bonded indebtedness.

Mr. PETERS. It is to back up the statement made at the beginning of the second paragraph to the effect that values, as a rule, where they have been made, show that they exceed the par value of the outstanding stocks and bonds. While the information for Washington is given in the same way, the total valuation for the five States, as stated by the tax board, is $1,401,303,000, while the capitalization given for those States is $1,259,000,000.

Mr. WEEKS. You take the capitalization as the par value of the stocks and bonds?

Mr. PETERS. It is taken as the par value of the stocks and bonds.

It is therefore reasonable to assume that the present value of the railway property of the United States exceeds its net capitalization. The Interstate Commerce Commission has stated (Report on Statistics of Railways for 1910, p. 52) that the aggregate net capitalization of the railway property of the United States on June 30, 1910, was $14,338,575,940.

Third. Assuming, then, that $14,338,575,940 was the true value of American railway property at the time covered by the investigations reported in Document No. 105, it is reasonable to conclude that the mail revenues of the railways ought to have afforded them a fair return on such proportion of their property as the total of those revenues bears to the total receipts from operation. The operating revenues of 1910 amounted to $2,750,667,435 (Statistics of Railways for 1910, p. 69) and the mail revenues to $48,913,888, or 1.78 per cent of that amount (Statistics of Railways for 1910, p. 71). Hence it may be concluded that the mail service ought to produce, in addition to operating expenses and taxes, a fair return upon 1.78 per cent of $14,338,575,940; that is to say, upon $255,226,651.73. Certainly no one would suggest a lower rate of return than 5 per cent per annum. This minimum rate would, however, require $12,761,332.59, or a sum considerably larger than the $11,253,866.15 which, even accepting the unreasonably low figures of the Postmaster General as the true cost of operation and taxes, is all that is left from present mail revenues after paying those out-of-pocket expenses. Six per cent would require $15,313,599.10 annually, 7 per cent would require $17,865,865.62, and 8 per cent would require $20,418,132.14.

Fourth. The Postmaster General estimated (Document No. 105, p. 280) that, out of total railway expenses for operation and taxes of $137,355,150.79, the mail service should be charged with $2,682,797.92, or 1.95 per cent. It would certainly be reasonable to conclude that the portion of the total value of the property on which the mail revenues should produce a fair return is the same. But on this hypothesis the mail pay would have to bring in a return on more property value than that ascertained by the calculation in the third paragraph herein, and the present deficiency in mail revenues would be still greater.

These are merely illustrations showing what should be included as the proper interest return on the value of the road.

The CHAIRMAN. In your opinion.

Mr. PETERS. In our opinion, and we have put it in this shape so that it could be easily read and understood.

Fifth. If it should be assumed that property value should be assigned to the passenger-train services in the proportion that the mileage of passenger trains bears to the mileage of all revenue trains and the property so assigned distributed among the passenger, express, and mail services in accordance with the space required on such trains, a still high proportion of the property would appear to be entitled to a fair return out of mail revenues. This would be so, even if the Postmaster General's erroneous allotment of space to the mail service were accepted as sufficient for the purposes of such a calculation.

Sixth. It has been stated herein that no one would suggest a lower rate of return than 5 per cent per annum. It is not believed that 5

per cent would be considered high enough if the matter were to be submitted to the United States courts. Six per cent is the common rate of interest allowed upon judgments throughout the United States although in some States it is as high as 8 and even 10. Real estate mortgages, having absolute security, are rarely written at less than 5 per cent, even in the largest eastern centers of wealth and population; 7, 8, and 10 per cent are common in large sections of the country. The railroad commission of the State of Washington has recently allowed 8 per cent on property subject to its jurisdiction.

In Wilcox *v.* Consolidated Gas Co., decided on January 4, 1909, the Supreme Court of the United States, in a unanimous opinion delivered by the late Mr. Justice Peckham, said:

> There is no particular rate of compensation which must in all cases and in all parts of the country be regarded as sufficient for capital invested in business enterprises. Such compensation must depend greatly upon circumstances and locality; among other things, the amount of risk in business is a most important factor, as well as the locality where the business is conducted and the rate expected and usually realized there upon investments of a somewhat similar nature with regard to the risk attending them. There may be other matters which, in some cases, might also be properly taken into account in determining the rate which an investor might properly expect or hope to receive and which he would be entitled to without legislative interference. The less risk, the less right to an unusual return upon the investment. One who invests his money in a business of a somewhat hazardous character is very properly held to have the right to a larger return, without legislative interference, than can be obtained from an investment in Government bonds or other perfectly safe security. The man that invested in gas stock in 1823 had a right to look for and obtain, if possible, a much greater rate upon his investment than he who invested in such property in the city of New York years after the risk and danger involved had been almost entirely eliminated. (212 U. S., 19, 48, 49.)

It is extremely significant that, after thus finding that risk was "almost entirely eliminated," and, further, that the company was "secure against competition" (212 U. S., 49) and that "it seems as certain as anything of such a nature can be that the demand for gas will increase" (212 U. S. 49), the Supreme Court should have said:

> Taking all facts into consideration, we concur with the court below on this question, and think complainant is entitled to 6 per cent on the fair value of its property devoted to the public use. (212 U. S., 19, 50.)

In other words, it was held that if the statute attacked in the case then at bar had allowed the gas company less than 6 per cent per annum on the fair value of its property it would have been confiscatory and, therefore, unconstitutional and void. No one who comprehends the circumstances of that case can doubt that the same reasoning, applied to a business subject to such varying territorial conditions and such extreme vicissitudes, hazards, and fluctuations as the railway industry of the United States, would not require a higher average return than 6 per cent per annum.

The CHAIRMAN. Mr. Peters, the statement that you have just presented, as I understand, is for the purpose of showing what, in your opinion, would be a reasonable rate on the capital charges?

Mr. PETERS. Yes.

The CHAIRMAN. Are you prepared to demonstrate that under the existing method of railway-mail pay, you are receiving none of that on your capital charges?

Mr. PETERS. In the majority of cases that is true.

The CHAIRMAN. Which.

Mr. PETERS. That we are receiving no return upon capital.

The CHAIRMAN. In other words, that your present compensation in the majority of cases simply represents the cost of the activity with no allowance for capital charges incident to the performance of the activity. Is that it?

Mr. PETERS. That is correct, although we start out in the beginning of that statement and say that granting Document 105 is correct, the allowance they make there does not cover by at least $1,000,000 what the railroads should have on the net valuation at 5 per cent, and that at 6 per cent it does not cover by at least $4,000,000 what the railroads should have on the net valuation, taking the figures as given in Document 105.

The CHAIRMAN. In your association, representing 214,000 of the 250,000 total mileage of railroads in the United States, are there many companies able to demonstrate that out of the actual compensation they receive from the Government for railway mail pay, they are making a loss and demonstrate that they are receiving no allowance on the capital charge of the operation?

Mr. PETERS. The vast majority of the companies claim to have shown that in their individual reports, from which Document 105 was compiled. The statement of the Long Island Railroad, which is published in your preliminary pamphlet, shows that we do not in any way get the full amount that the mail service costs us, much less getting anything toward paying an interest on the capital invested.

The CHAIRMAN. You think, then, that given the gross amount received from the Government, you can demonstrate in a majority of instances that the compensation received does not pay the cost of hauling the mail—that is, the actual cost of the hauling? In other words, that it would be advantageous, from a dollar standpoint, for you to refuse to haul the mail rather than continue hauling at the rates you receive from the Government at the present time?

Mr. PETERS. That is correct. Such information is shown in Document 105.

The CHAIRMAN. You have some other statement to present?

Mr. PETERS. We would ask to present a bill, which, in our opinion, would remedy our difficulty. Our committee have all felt that we could stand by the present law, provided it could be amended, and in our draft we have endeavored to make that amendment as simple and as brief as possible. That is what we have suggested here.

A BILL To provide for the transportation of parcel-post matter, to amend existing laws relative thereto, and to equalize pay for mail service on railroad lines.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the proviso in the act of March third, nineteen hundred and five, "That hereafter, before making the readjustment of pay for transportation of mails on railroad routes, the average weight shall be ascertained by the actual weighing of the mails for such number of successive working days, not less than ninety," be and the same is hereby repealed, and that hereafter such weighings shall be simultaneous on all railroad mail routes not less frequently than once in each year; and the Postmaster General is hereby authorized and directed to require a railroad mail carrier to provide for the carriage of the mails between its trains and a post office or postal station only where such post office or postal station is located in a railroad depot or station of such carrier, and the Postmaster General is hereby authorized and directed to pay for space used as railway post offices in apartment cars in proportion to the present rate allowed for postal cars sixty feet in length.

The CHAIRMAN. As I understand, Mr. Peters, this suggested bill represents the views of the association of which you are chairman,

and if enacted into law would, in your opinion, remedy what from your viewpoints are apparent present injustices. It would give you annual weighing, eliminate the side service, and give you an allowance on apartment cars under 40 feet; it would fix the weight as the measure of service rendered, as at present, in 90 per cent of the mail carried.

Mr. PETERS. Yes.

The CHAIRMAN. Are you all agreed upon this bill as being all in the way of legislation which, in your opinion, is necessary to do justice for the transportation companies, from your viewpoint?

Mr. PETERS. The short lines, I understand, would like to have the rates changed on the minimum light weight roads; that is, the minimum weight per mile per annum.

The CHAIRMAN. Some of their representatives are present?

Mr. PETERS. Some of them are here, but we feel under this amendment the money received by the railroads for carrying the mails would not have to be all paid out for messenger service or special facilities furnished; that we would be more nearly compensated for the expense we are subjected to and it would come as near making reasonable compensation for the roads as anything we could possibly hope to get, although it does not, in every case, fully compensate each road.

The CHAIRMAN. Is it possible to evolve a general plan, universal in its application, that will fully compensate each road?

Mr. PETERS. We have felt that it would not be.

The CHAIRMAN. What, in dollars, would the adoption of this legislation mean in the way of increased pay to the transportation companies on the part of the Government?

Mr. PETERS. As we have discussed this here before, I can not say from calculations made by myself, but from the best information I would gather in our discussions, it would make a difference of about $4,500,000 in the pay for apartment cars and make somewhere between two million and three million increase in the revenues, due to the annual weighing, or pay for the natural growth of the mail. In other words, something between $6,500,000 and $7,500,000. Besides this it would save the railroads in expenditure for terminal and messenger service, about $4,300,000.

The CHAIRMAN. But the Government would have to pay that, instead of the railroads, as at present, if that estimate is correct, would it not?

Mr. PETERS. That is my understanding from a report made by the Second Assistant Postmaster General in some document, which I can not now recall, that the estimated cost of this service, if performed by the Government would amount to about $4,300,000. I can not say positively that the railroads could save that entire $4,300,000, but they would save a large proportion of it.

The CHAIRMAN. This is true, is it not. If the railroads now have to bear a certain expense for the service rendered and the duty of that service was transferred from the railroads to the Government the cost of that service would be borne directly by the Government instead of by the railroads as at present. It is that which you seek to be relieved from?

Mr. PETERS. Yes.

Mr. WEEKS. Is it not true that that entire service is performed by employees of the railroads?

Mr. PETERS. No; some portion of it is so performed.

Mr. WEEKS. What part of it do you think is performed by employees of the railroad who are under fixed compensation and whose compensation would not be changed if they did not do this work?

Mr. PETERS. In a very large number of cases, on many railroads, special messengers are employed for carrying the mails between the local station and the post office. In some cases that service is performed by employees who perform other service and we would not save that entire expense, but we would use those men entirely for railroad service and not for carrying the mails. As I understand, the most burdensome part of this messenger service is where the railroads, in certain cases as are shown in this preliminary pamphlet, for instance on the L. & N., have to pay out from $300 to $900 a year for wagon service between their terminal and the post office. There are very marked cases of that kind all around the country. In the case cited by the L. & N.—and it is the case with many other roads—they show the length of the road is counted not to the station but to the post office; mails are handled to the station by train and then special contracts are made for wagon service from the station to the post office, which is, in many cases, three or four times the amount of compensation that the railroad gets by having that distance included as constructive mileage for the railroad. All that would be a saving to the railroad.

The CHAIRMAN. In this estimate of side service have you made a segregation of the compensation that the employees receive, charging in this computation the actual time that it takes for side service, or crediting him in the computations for the actual time that he devotes to the railroad service outside of the side service?

Mr. PETERS. We attempted to do that in the report made to the Postmaster General for November, 1909, but I understand it was not fully given, or given to the satisfaction of the department, and the information was not all tabulated. The estimate of $4,300,000 was taken from a document that was put out by the Post Office Department, which I can not refer to at this present time. That is a matter we can have very carefully checked up and reported upon later if that is the desire of the committee.

Mr. LLOYD. If this bill of yours were to become a law, as I understand you, it would cost the Government a little over $11,000,000 more annually to transport the mails than it does now.

Mr. PETERS. No. I said it would cost the Government between $6,500,000 and $7,500,000, and that they would be subjected to other expense.

Mr. LLOYD. The Government would have to pay this $4,300,000.

Mr. PETERS. Then, in that event, it would amount to between $10,500,000 and $11,500,000.

Mr. WEEKS. Would it not cost the Government more than $3,400,000 to perform that service which is now performed by the railroad?

Mr. PETERS. No; I do not believe it would. I think they could arrange to compensate the railroad for the actual cost of the service.

Mr. WEEKS. When you take into consideration the fact that very much of the service is now performed by the station employees, who otherwise would not be doing anything, do you not think that it would probably cost the Government more than it costs the railroad now?

Mr. PETERS. I can not definitely answer that. As I stated, the figure of $4,300,000 given by us was taken from some document issued by the Post Office Department. That was their estimate of what this messenger service would cost them.

Mr. WEEKS. What roads were you connected with before you became president of the Long Island?

Mr. PETERS. I have been with the Pennsylvania and its lines all my life. I was on the Pennsylvania lines west of Pittsburgh, at Pittsburgh, Chicago, Cincinnati, and Columbus.

Mr. WEEKS. Were you familiar with the mail service performed by the Pennsylvania Railroad?

Mr. PETERS. Only in a general way. I did not pay much attention to the details of it until I got into this committee work. I had studied it very thoroughly on the Long Island, and I presented a petition for relief some six or eight years ago.

Mr. WEEKS. Do you not think the Pennsylvania Railroad makes a reasonable profit in carrying the mails?

Mr. PETERS. I do not believe they do. We have their representatives here, and they are prepared to give you detailed information in regard to that.

Mr. WEEKS. In your own case of the Long Island Railroad, you have, I think, very successfully demonstrated that you are not getting reasonable compensation. Would you be willing to leave that question to the Interstate Commerce Commission to determine what you should receive for transporting the mails?

Mr. PETERS. Yes; I think I would.

Mr. WEEKS. Do you think that could be done in other cases so that a fair arrangement could be made as between the railroads and the Government to determine the proper rate to be paid?

Mr. PETERS. I think the commission has its hands pretty full at the present time; and if they were to investigate the matter and attempt to determine the rates, it would have to be done by some subordinate committee or commission.

Mr. WEEKS. That is not an answer to the question, because the commission might be enlarged. Assuming that it hasn't its hands full and has plenty of time to pass on such questions, what do you think would be the case?

Mr. PETERS. As the commission is placing upon itself, and has placed upon it by the laws, the responsibility for the railroads, since it has to pass upon all rates, I should think it would be fair to let them pass upon a rate for handling the mails.

Mr. LLOYD. And handling express matter, too.

Mr. PETERS. They are passing upon that, too; but the rate there is first suggested by the express companies and then the reasonableness of the rate is passed upon by the commission. As I understand the law, the commission does not originate any rates; the rates are made by the railroads and reviewed by the commission.

Mr. LLOYD. You would be willing, as I understand you, to have the Government fix the rates and the question of its reasonableness might be submitted to the Interstate Commerce Commission?

Mr. PETERS. In this case I am perfectly willing to have a reasonable commission, like yourselves, fix the rate, because I think you will endeavor to do what is fair to both sides.

Mr. WEEKS. Is not the Interstate Commerce Commission the best independent authority on such matters? I did not intend to ask you whether you would be willing to do this, but I am trying to get your idea of what the results would be if it were done.

Mr. PETERS. I think the railroads should be asked first to make their rates, and then have the reasonableness of the rates passed upon by the commission.

Mr. WEEKS. That is exactly what I intended to ask you.

Mr. PETERS. I did not intend to suggest that the commission should make the rates, but if there were a disagreement between the department and the railroads that it should be referred to the commission. That is what I had in mind. The difficulty in this matter is that it is to make a rate for performing a function for the Government, the handling of the mails, an universal service under universal conditions. It is not like making the ordinary rate on a small commodity. Your service has to be performed alike for all sections, for all parts of the country, and the pay is to be arranged on a uniform basis on all roads.

Mr. WEEKS. Should it? That is the point I want to get at. It seems to me that this service is very dissimilar in its cost and in its character and that a rate that will pay a reasonable compensation to some of the roads will pay excessive compensation to others, or a rate that would be reasonable compensation to the others would pay insufficient compensation to the short-line railroads, for instance.

Mr. PETERS. It is possible to make a rate, you might say, on each railroad, but you would discriminate; you would be paying one railroad, owing to its condition, location, and everything, on one basis, while another road parallel, not necessarily parallel, but in another section of the country, on a very much higher basis, and there could be claim there for discrimination, and that you are not treating all of your people alike.

Mr. WEEKS. Very likely that is true, but should you not be paid a higher rate for service on the Long Island Railroad, for instance, than a similar service on the Great Northern Railroad in Montana, where there are very few stations and the measure of the service and the facility of the service amount to practically nothing?

Mr. PETERS. The relief from the messenger service will remove that objection. The increase in weight would perhaps remove that, although it might not in every case do so. For instance, we have here one road that is 115 miles in length that gets fair compensation under the present basis, its mail all being handled in postal cars and concentrated loads. Then we have other cases we know of where they get a very fair compensation on account of practically 60 or 70 per cent of the mails being concentrated on one train over a very long route. Those are the exceptional cases. On many of the small mail routes with light weight so much of the receipts of the Government has to be paid out for messenger and terminal service and for special expenses that it has been very burdensome. I do not believe you can in every case compensate absolutely every individual road for the handling of the mails without getting such a diversified system of rates on the mail business that it would prove very unsatisfactory and a constant source of dissatisfaction or litigation.

Mr. WEEKS. You do not have any litigation in freight rates, and there are hundreds and thousands and tens of thousands of different freight rates.

Mr. PETERS. I think the records show those are in constant litigation before the commission now.

Mr. WEEKS. In constant dispute, quite likely, but not in constant litigation.

Mr. PETERS. Prior to the institution of the Interstate Commerce Commission I think there was a great deal of litigation on that account. The railroads have lived under the mail pay law of 1873 and have cooperated with the Post Office Department in building up a wonderful service and were reasonably well satisfied with the compensation they were paid from the mails until this continual reduction of pay was undertaken. I think if we returned to the basis that we had, or continue the present basis, after making these corrections, that the railroads would be very well satisfied, preferring to live under the conditions that we know all about than to undertake something which we do not know anything about. I have figured that under this amendment the Long Island Railroad should get about $85,000 or $90,000 a year instead of $43,000. We really ought to have about $165,000 a year in order the give us a full return on the property.

The CHAIRMAN. Please elaborate on that $165,000 a year proposition.

Mr. PETERS. I haven't my figures here with me, but they are in some reports which I think are on record.

The CHAIRMAN. Let me ask you this: Have the railroads, so far as you know, in their accounting had an account with the Government, and in their statements figured a profit or a loss so far as rail transporration is concerned, or R. P. O. pay?

Mr. PETERS. I do not so understand. The accounts are all kept under the general form of distribution of accounts prescribed by the Interstate Commerce Commission.

The CHAIRMAN. If they have no such system of accounting, how are the railroads cognizant of the fact that they have made a profit or a loss in the transportation of the mails?

Mr. PETERS. It is only when they make a special study of the case. We make special studies in the special rate cases before the Interstate Commerce Commission or in the courts.

The CHAIRMAN. Then am I correct in this assumption or understanding: That prior to 1909 the railroads had no definite knowledge as to whether they were making a profit or losing on their mail contracts?

Mr. PETERS. As a whole throughout the country they are not. Many railroads that have studied the matter, in connection with their attorneys before congressional committees should have information on the subject and that information is shown in our record.

The CHAIRMAN. That was intermittent information?

Mr. PETERS. Yes.

The CHAIRMAN. They had not the same information or knowledge that you had in your other transportation business, the freight, passenger and express business.

Mr. PETERS. I do not think there has been the detailed study of the express accounts until recent years when the contracts with the express companies were revised, some ten or fifteen years ago.

The CHAIRMAN. Have you definite knowledge, or such knowledge as would justify you, in your judgment, in advancing an opinion as to what the cost to the transportation companies was for compliance with the request of the department for the information embodied partially in Document 105?

Mr. PETERS. The Pennsylvania Railroad, I understand, kept an accurate record of a part of their expense. We were discussing that a few days ago and their cost was over $25,000. It was figured the total cost of gathering up this information was something like $250,000; that is a rough estimate and a mere guess. I do not believe there were detailed statements kept.

The CHAIRMAN. Do you feel satisfied, with the knowledge that you have, that it cost the transportation companies of the country at least $200,000 to furnish that information?

Mr. PETERS. Not less than that. Our own expense in the preliminary tabulation and calculation of the figures in our clearing house office in Chicago was between $6,000 and $8,000, where no new equipment and no new force was employed for it, but simply using the organization we had.

Mr. LLOYD. According to your statement, if you had your way about it, you would like to have the railway mail pay increased about 20 per cent?

Mr. PETERS. You are going to increase the weights fully that, as we figure it, from the parcel post.

Mr. LLOYD. You are asking for a weighing so you would get pay for that?

Mr. PETERS. Yes.

Mr. LLOYD. But I mean these suggestions of change in existing laws which have the effect of costing the Government 20 per cent more than it now costs the Government. That is your statement?

Mr. PETERS. The cost at the present time, being in round figures $50,000,000, it would be about 20 per cent.

Mr. LLOYD. At $50,000,000 it would be a little less than 20 per cent. Suppose the commission, after investigating the subject, came to the conclusion that the railroads were receiving as much money as they ought to receive for the service rendered, which would you prefer, these changes that you have made and a flat reduction of 15 per cent on weight, or permit the law to remain as it is.

Mr. PETERS. I do not see how the commission can reach such a conclusion.

Mr. LLOYD. I am not saying that we would.

Mr. PETERS. I think the more the commission studies this question the more they will be like we are and feel that the railroads are not fully paid. As I understand it, the Government does not want to have service performed for nothing, and they should compensate the railroads fairly and honestly for the work they do, and that is all the railroads want.

Mr. LLOYD. Nobody objects to that. But suppose the commission would come to the conclusion that the railroads are receiving as much money as they ought to receive for the service rendered. Would you rather have these changes you suggest with a 15 per cent flat reduction on rate or would you rather have the existing law?

Mr. PETERS. A 15 per cent reduction on rates?

Mr. LLOYD. On existing rates.

Mr. PETERS. For the rate per mile? That would make a confiscation of property on a majority of the railroads; but even if there were a reduction——

Mr. LLOYD. You have not answered my question.

Mr. PETERS. I think these amendments ought to be made in order that we might ascertain the weight each year, and that you should relieve us from the messenger service.

Mr. LLOYD. I understand all that. I fix a limit of reduction much less than that for which you ask an increase. If we were not going to increase the pay, which would you rather have, a flat reduction of 15 per cent and have these changes in the law which you suggest or have the law remain as it is?

Mr. PETERS. That is a question I am not prepared to answer offhand. We did not come to ask for any reduction but we came to plead for justice. We want an increase in pay. We are underpaid now and to answer a question of that kind will require a little thought.

Mr. LLOYD. We will have a night session and you can answer that to-night.

Mr. PETERS. I will take that under advisement and answer you later. However, it would strike us all as manifestly unfair to consider any such question as a possible reduction in the rates of pay. You have put on us the great burden of the parcel post.

Mr. LLOYD. In the annual weighing do you propose to get compensation for the parcel post?

Mr. PETERS. That will continue to grow and we shall be compensated by the annual weighing.

Mr. LLOYD. One of the things you ask is a change from a quadrennial weighing to an annual weighing.

Mr. PETERS. That is correct.

Mr. LLOYD. If you got that change and there is an annual weighing, then you would get compensation for all the parcels you carry. The complaint that you now make could not then be a valid complaint, because it would be removed by law.

Mr. PETERS. In fact, every pound of mail carried should be weighed each day, but it would be too burdensome.

Mr. LLOYD. Theoretically that is true; yes.

Mr. PETERS. Weighing once a year would come much nearer doing the right thing than weighing once in four years.

Mr. LLOYD. Theoretically you ought to get paid for every pound of mail you carry.

Mr. PETERS. That is right. Also we ought to be paid for the service we perform.

Mr. WEEKS. Do you think it would be practicable to weigh the mail every day?

Mr. PETERS. I believe it could be done. We weigh all of the freight.

Mr. LLOYD. Could you weigh the mail without extraordinary expense to you?

Mr. PETERS. I believe we could.

Mr. LLOYD. Could you weigh the mail and make enough by reason of its weighing to meet the expense of it?

Mr. PETERS. I am quite sure it could be done.

The CHAIRMAN. A daily weighing?

Mr. LLOYD. A daily weighing.

Mr. PETERS. That is a matter that can be considered in the course of investigation. We can make a study on that point. I think the New England roads attempted to weigh everything that was carried until the Government interfered and asked them to stop it. They could give us a very fair idea on the cost of that weighing.

Mr. LLOYD. It seems to me that is a very practical question, viewing it from the standpoint of weighing, and that is one of your complaints. If a system could be devised by which all mail is weighed and the Government, as well as yourselves, be satisfied that the weights are correct, it might be one way of solving the question.

Mr. PETERS. We weigh all of our parcels, freight, or package freight; we weigh the carload freight and we weigh all of our express business.

Mr. LLOYD. If you weighed the mail you would weigh it in the sack and it is not difficult to weigh the sack?

Mr. PETERS. We would weigh it in the sack.

The CHAIRMAN. You say the railroads weigh all of the express business every day?

Mr. PETERS. The express companies do. On the Long Island road, where we operate our own express, we weigh it all.

The CHAIRMAN. Of course the express companies do the weighing because their compensation is based on their weight, but they have 50,000 employees confined to the express business alone and the railroads do not do that every day.

Mr. PETERS. No; but our own railroad, which handles all of its express, weighs all of the packages.

The CHAIRMAN. That is, your express branch of the railroad does it?

Mr. PETERS. Yes.

The CHAIRMAN. Of course you have to do that in order to get your compensation, because your compensation is based primarily upon weight.

Mr. LLOYD. In reaching the conclusion that you have reached and the suggestion that you make in the pending suggested bill, what, if any, profit would the railroads make for carrying the mail?

Mr. PETERS. I have not taken that into consideration.

Mr. LLOYD. If your system were adopted, I mean the present system with the changes that you suggest, would the railroad companies make or lose by carrying the mails?

Mr. PETERS. They would come nearer being compensated. They would have some net money left, but they would not be able to figure that out, except at greater cost than the information is worth, to ascertain whether or not it produces part of the interest on bonds or interest on dividends.

Mr. TUTTLE. Do I understand you, Mr. Peters, to say that formerly the railroads made a profit for carrying this mail and that recently they have not?

Mr. PETERS. No; I did not say that. I said the railroads had been content to accept the compensation allowed them for the compensation of the mails, except that they had been subjected to constant reduction; there were reductions in 1887 or 1888, reductions in 1905, and again in 1907, and again a reduction by the change of the divisor; reduction after reduction made in the basis of pay, while the weight of the mail and service performed was constantly increasing and while the regulations covering the performance of the service were getting more and more severe. Your act of Congress recently requiring steel

cars and different improvements in them has made it harder than ever for the railroads.

Mr. TUTTLE. About how long ago did the account shift from one side of the ledger to the other?

Mr. PETERS. As I stated before, I do not believe any railroads, except those who specifically prepared themselves for hearing before Congress, had ever thoroughly investigated the cost of handling the mail or tried to get at it scientifically until the Postmaster General called for the information.

Mr. TUTTLE. Therefore it is just your impression that they were being satisfactorily paid?

Mr. PETERS. That is the impression, that they were reasonably compensated, but they have since then performed greater service with no increase in the pay.

The CHAIRMAN. The committee will now take a recess until 8 o'clock p. m.

Thereupon, at 12 o'clock m., the committee took a recess until 8 o'clock p. m.

AFTER RECESS.

The hearing was resumed, according to adjournment, at 8 o'clock p. m.

Present: Senator Jonathan Bourne, jr. (chairman), Representative James T. Lloyd, and Representative William E. Tuttle.

## STATEMENT OF MR. JOHN STEWART.

The CHAIRMAN. Mr. Stewart, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you state your full name, residence, occupation, and the official position, if any, in which you appear before the committee this evening?

Mr. STEWART. John Stewart, superintendent and traffic manager of the Marcellus & Otisco Lake Railway, Marcellus, N. Y.

The CHAIRMAN. That is a railroad running between what points?

Mr. STEWART. Between Martisco, N. Y., and Otisco Lake, N. Y. The length of the line is 10 miles. We have verbally and by wire frequently requested another weighing, a year ago, when catalogues and seeds were going out in large quantities. After a great deal of telegraphing were were politely informed by the Post Office Department that they could not do anything for us until the regular time.

The CHAIRMAN. The regular quadrennial weighing.

Mr. STEWART. The regular quadrennial weighing. I submitted the facts to the management of our property and asked their permission to refuse to carry the mail. I did not get the permission. Our general manager instructed me to have the mails weighed, which we have done, commencing on January 9 and winding up on February 5 of this year. The catalogue mail, which was a little light, during the 24 days amounted to 293,390 pounds. We had 14,855 pounds of mills empties (bags) to put the catalogues in, nearly 8 tons.

The total of the seed-house mail amounted to 308,245 pounds during those dates, covering 24 working days. We had to take the section men sometimes 5 miles from their work to unload that mail onto the platform of the New York Central and delayed the mail trains in getting the maximum of that mail, one day, of 9 tons, and a minimum in that period of 4 tons. The highest amount we had of that catalogue mail was 9 tons for one day, and the lowest day was 3½ tons. The mail other than this seed-house mail, and the empties during that period amounted to 14,168 pounds, or an average of 507 pounds per diem. We have filed with the Interstate Commerce Commission, I. C. C. freight tariff No. 10, which provided for a minimum of 25 cents per individual shipment. On these movements we make 60 consignments per diem on that small mail, amounting to 25 cents per consignment, which would give us $4 per day for the mail other than the seed-house mail. For the seed-house mail we get, under this tariff, a carload, per diem, $9.60. There are not 24,000 pounds per day, but you can not put cabbages and potatoes in a box car on top of mail. We have the empty box cars to haul 9 miles to load that mail again, and we have to pay for the car, as we have none of our own. We have to haul a loaded car back, and, according to the Interstate Commerce Commission a minimum of 24,000 pounds is what we are entitled to, or $9.60.

The CHAIRMAN. Per car?

Mr. STEWART. Per car. We moved it every day during that period.

The CHAIRMAN. That $9.60 is per car on the freight basis?

Mr. STEWART. Yes, sir.

The CHAIRMAN. What did you receive per car from the Government for carrying the mail?

Mr. STEWART. Per car, and less than carload, all told, $3.25.

The CHAIRMAN. So you received $3.25 from the Government as against $9.60 which would be received, under the Interstate Commerce Commission rate, if full of freight?

Mr. STEWART. Yes, sir; and $4 for the other, each individual consignment having a minimum charge of 25 cents. That was an average of mills catalogue mail of 12,224 pounds per diem—6 tons. During the period that I have mentioned, if we had been paid on a freight basis for the carload mail, we would have received $230.40.

The CHAIRMAN. What did you receive during that period?

Mr. STEWART. We received as remuneration from the Post Office Department $78. Our remuneration per annum last year was $1,017.98. The route number is 107183. For the 24 days on the carload minimum we should have had $230.40, and on the less than carloads, under the I. C. C. tariff, $96, a total of $326.40. We received $78, and for the 24 days, if it had been all freight, we would have lost $248.40. At express rates of 50 cents per hundred, during the period, we would have received $1,613.06. We have an express business on the road, and that would be their rate.

The CHAIRMAN. For those 24 days?

Mr. STEWART. For the total weight, sir, for the 24 days.

The CHAIRMAN. You would have received the amount you have just read?

Mr. STEWART. Yes, sir; $1,612.06. We did receive $78, making a difference in 24 days of $1,554.08. Allowing for the heavy mail to run five days in December, 27 days in January and 24 days in February, leaving out March, which is 56 days, at freight rates of $9.60 per car we would receive $537.60. On the l. c. l. mail, the small mail, we get $224, or a total of $761.60. We do not haul the mail on Sundays and if we deduct 56 days from the 312 days, that would leave 256 days. Leaving the heavy mail out altogether we would get $1,024, and that, added to the heavy mail, would make $1,785.60, and the Government gave us $1,017.98.

Mr. LLOYD. Why do you not carry it all by freight?

Mr. STEWART. Our trains are all mixed, and it is just as convenient to put the mail in a baggage car as it is in a box car. We can haul it either way. In fact, we had to beg permission from the Government to haul the heavy mail in a box car, and we got it. On the express rate, if the whole mail were carried by express on the basis of 50 cents per hundred, we would lose in revenue per annum, $3,991.50.

The CHAIRMAN. The period of the weighing, covering the 24 days according to your own statement, was the heaviest period for carrying the mail. That is, you would get more mail during those 24 days than during any other period of the year?

Mr. STEWART. No, sir; that started on December 26 of last year and the postmaster advised me that that would be a heavy period, but when it will wind up I do not know. It may wind up early in March, and it might be prolonged.

The CHAIRMAN. Does this catalogue business and the seed business which you have mentioned, continue during the year?

Mr. STEWART. No, sir; just a short period.

The CHAIRMAN. And it was during that period that you made the weighing?

Mr. STEWART. Yes.

Mr. LLOYD. Your complaint, as I understand it, is that you do not get paid for carrying those catalogues?

Mr. STEWART. That is part of it, sir, and the other feature, we do not get as much for hauling mail as we do for merchandise of any kind. We do not get a minimum for 16 consignments per diem of 25 cents.

Mr. LLOYD. What do you mean by a consignment? Of mail, do you mean?

Mr. STEWART. Using the freight term of a consignment, a given parcel of freight or merchandise moving from one initial point to one individual point and discharging it.

Mr. LLOYD. Would that be a sack of mail?

Mr. STEWART. Yes, sir; or a mail pouch up to 200 pounds.

Mr. LLOYD. Would a single empty sack be a consignment?

Mr. STEWART. We do not get them that way.

Mr. LLOYD. I was trying to get at your idea of what you want to have pay for. You claimed that if you had 25 cents, such as you received for freight, for carrying the mail, that would give you a little more money. I want to know what a consignment is. A full sack, an empty sack, or both empty and full sacks?

Mr. STEWART. Anything of weight, sir.

Mr. LLOYD. Would an empty sack be included as an item?

Mr. STEWART. We never have any sacks that are empty. Our empties have always been sacks of sacks.

Mr. LLOYD. In sending the sacks to be filled again you would have a sack full of sacks, and that would be one consignment?

Mr. STEWART. If there were 200 pounds or 400 pounds of it when we received it from the New York Central to take up to the post office, that would be one consignment.

Mr. LLOYD. But suppose it only weighed 50 pounds?

Mr. STEWART. Then the mail would be in the same category as a case of boots and shoes.

Mr. LLOYD. If a case of boots and shoes only weighed 50 pounds, what about them?

Mr. STEWART. Anything which weighs but 50 pounds is charged with the minimum rate of 100 pounds. Any consignment of freight moving in the United States on a steam railroad is charged as 100 pounds, ordinarily, of the class to which it belongs, with a given minimum in case the tariff rate is not sufficiently high.

Mr. LLOYD. If you were given 25 cents a pound for every sack of mail and called every sack 100 pounds, then would you have the freight condition to which you refer, as being a condition which would produce you the greater amount of revenue?

Mr. STEWART. For 16 movements per diem, each individual consignment, irrespective of the weight, whether it is 200 pounds or 400 pounds, would be 25 cents each.

Mr. LLOYD. Sixteen times 25 cents would be $4 a day?

Mr. STEWART. Yes, sir; that is the idea. Four dollars a day for the service.

Mr. LLOYD. And you are now getting $3 a day for the service?

Mr. STEWART. $3.25, but we are virtually getting nothing for the heavy mail we are hauling in the carloads. We get $9.60 for a carload of cabbages, and the department gives us nothing for a carload of mail. That is the equivalent of it.

The CHAIRMAN. If I understood you correctly, you receive per annum now, under the weighing upon which your mail rate is adjusted, $1,017.98?

Mr. STEWART. That is what we received last year.

The CHAIRMAN. Have you any computation to show what it costs you to get that $1,017.98?

Mr. STEWART. No, sir; will you allow me to answer that further?

The CHAIRMAN. I will be very glad if you will.

Mr. STEWART. Any array of figures compiled generally by an auditing department getting out individual costs, in my experience is not worth the labor, not worth a rap. The auditor's office can no more tell what the individual cost of hauling a given parcel of any individual portion of its service is, any more than it can fly to heaven.

Mr. LLOYD. You think you are not getting enough for carrying the mail?

Mr. STEWART. I am reasonably well assured of that, sir.

Mr. LLOYD. What would be a reasonable compensation?

Mr. STEWART. The freight rate that I have outlined.

Mr. LLOYD. You would want us to change the railway mail rate so that you would get the same rate?

Mr. STEWART. I am interested only in my own company. I am not capable of making any suggestion to a body of gentlemen, such

as you are, for the whole of the service. I do not have brains enough for that.

The CHAIRMAN. You are one of the units on which the whole service is built up.

Mr. STEWART. But ours is so small.

Mr. LLOYD. What would be enough? You say on a freight basis; but we are not on a freight basis, and we are not paying on a freight basis. How could the rate be changed so as to be compensatory to you?

Mr. STEWART. I just ask you to pay for it on any basis that will give us the figures I mentioned. You gentlemen know more about it than I ever will know. Any manner in which you may figure it out will be acceptable to me, so long as we get the money.

Mr. LLOYD. Suppose we give you five times as much as you now receive for carrying the mail. Would that be sufficient?

Mr. STEWART. In such a remote contingency, sir, I would drop dead. [Laughter.]

Mr. LLOYD. As I understood you a moment ago, you said if you were receiving on the freight basis you would receive about five times as much as you do now?

Mr. STEWART. $9.60 and $4 makes $13.60. That would be about five times as much, but we are not getting paid for what we are doing now.

Mr. LLOYD. I say, if you received five times as much, you would receive what you would get on a freight basis?

Mr. STEWART. We would just be paid, then, sir.

Mr. LLOYD. That answers the question. In order that the mail may be compensatory to you, you ought to receive five times as much as you do now?

Mr. STEWART. I wish to put it in a quiet way and I do not wish to be rude about it.

Mr. LLOYD. I am not aiming to catch you.

Mr. STEWART. I will put it this way, sir. We are to-day a very, very small institution. I run every day a train leaving our little village at 11.30, making a round trip which we are not supposed to make at all. We do not have to do that, as we are only paid for one round trip per diem, but we run this train with the mail.

Mr. LLOYD. Let me interrupt you right there. You get paid for all the mail you carry, do you not?

Mr. STEWART. No, sir. After a fashion, yes.

Mr. LLOYD. When the mail was weighed they weighed the mail on each one of those trains?

Mr. STEWART. Yes.

Mr. LLOYD. And putting it all together it made the aggregate of mail for which you receive compensation?

Mr. STEWART. Very true, sir. On the other hand, the mail would presumably be carried on one round trip or two round trips, but it would not be acceptable to the manufacturers and others located on the property. We can not get along without the good will of one barley mill, three paper manufacturers, and two woolen mills. They need their mail in and they need it out; and we run at noon, just at a time when it is most inconvenient, in order to make a round trip, leaving at 11.30, and get it back at 12.30. The trip is 3 miles each way, and it would go just as well in the afternoon, but it would

not be as convenient for the patrons of our institution. In other words, we have to try to help them out.

Mr. LLOYD. Is this a steam road?

Mr. STEWART. Yes, sir.

Mr. LLOYD. And only 3 miles long?

Mr. STEWART. Ten, sir. The city of Marcellus is located not midway, but 3 miles from the New York Central, and we get our mail inbound from the New York Central and outbound it all goes to them.

Mr. LLOYD. Do you know what you ought to receive for carrying the mail?

Mr. STEWART. Enough to pay us.

Mr. LLOYD. Do you know what that would be?

Mr. STEWART. $13.60 a day, according to the figures I have compiled. That would simply be a freight rate, and we do not give freight the same attention that we give to the mail.

Mr. TUTTLE. That is based on the heavy traffic in January?

Mr. STEWART. Yes, sir. That is, just now.

Mr. TUTTLE. What relation does that bear to the slack traffic? What would your average traffic be?

Mr. STEWART. The parcels post business is beginning to come in, brooms and everything else coming by mail, and it will keep on coming more and more every day.

Mr. LLOYD. Have they a broom factory in your neighboorhood?

Mr. STEWART. No, sir; but they are beginning to buy them away. It looks like they are trying to help the parcels post. I saw a piece of pipe come by parcels post the other day. To answer your question, I figured the heavy mail and the light mail. Those figures are accurate and every pound of mail was carefully weighed. To answer your question as to our getting five times as much, I think the department, if I may be pardoned, really ought to be ashamed of itself for permitting such a ratio.

Mr. LLOYD. Is the criticism on the department or on the legislative branch of the Government?

Mr. STEWART. They could have weighed it over again, sir.

Mr. LLOYD. You mean they could have given an annual weighing instead of a quadrennial weighing?

Mr. STEWART. One at the end of two years.

The CHAIRMAN. We thank you, Mr. Stewart.

## STATEMENT OF ALFRED W. ANDERSON.

The CHAIRMAN. Mr. Anderson, It will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your full name, residence, occupation, and the official capacity, if any, in which you appear before the committee.

Mr. ANDERSON. Alfred W. Anderson; Augusta, Ga.; age 49. I am general manager of the Charleston & Western Carolina Railway Co.

The CHAIRMAN. Have you a statement you wish to present?

Mr. ANDERSON. Yes, sir.

Mr. Chairman, in order not to ramble too much and take up just as little time as is necessary, I have to-day put in writing what I have to say.

The CHAIRMAN. Will you give us your remarks?

Mr. ANDERSON. Yes. I shall be glad to answer any question that the committee may have to ask.

The road I represent has a mileage of 340, consisting of 236 miles of main line and two branches, one of 59 miles, the other of 35 miles. Like many of the roads in our section, the original owners lost all that they put in it and some 17 years ago the property was reorganized under its present name, the Charleston & Western Carolina Railway Co.

To reproduce the road to-day in its present condition would probably cost $25,000 per mile. When the property was reorganized, a first mortgage bond of $8,000 per mile was placed upon it, and an income bond of a similar amount was also issued. A little later on an additional debt—in the way of a fixed charge—was assumed by the company for something over $1,000 per mile. Our fixed charges per year aggregate $172,000, or just about $500 per mile. I believe that the property, to say the least of it, is economically managed, and, notwithstanding some portions of it were completed nearly 40 years ago, and all of it over 25 years ago, and its present owners have operated it for some 15 years, they have never received one cent's return on their investment. All earnings in excess of interest on a low bonded indebtedness have been devoted to improving the property in an effort to make it valuable—not alone to the stockholders, but also in the section through which it runs. Our territory is highly competitive, with such competitors as the Southern and Seaboard. Some of our rates per ton per mile seem high, others so low as to make it questionable whether profitable. Our passenger rates are the same as apply on other lines.

What I have said of our line is true of many others throughout our section, and it has been necessary to reorganize nearly all of them. It is easy to understand that rates must vary, not alone because the articles hauled may differ, nor on account of the care that must be exercised in the handling of one as compared to the other, but they must differ for still another reason that is recognized as perfectly sound, and that is that one class of traffic can afford to pay a higher rate than another though similar in many respects. Another thing always considered is volume, and still another value.

Another feature of railroad operation recognized by all thinking men as bearing upon the rates is speed with which business must move and the frequency of the service. Fast service, safe service, and frequent service are of much more importance to the individual than the mere question of whether he pays a few cents more or less per hundred on freight, express, or mail that he may ship, and nothing is so much to be deplored from a standpoint of progress and development as the attitude displayed, not alone by the public, largely through them by a real misinterpretation of the facts, but by the Government itself, as evidenced by the utterly inadequate pay fixed by Congress for carrying the mails. I say "fixed" advisedly, for, while we could no doubt sustain in the courts a refusal to perform the service at the rates paid, public sentiment and our wish

to do our full duty to our patrons has led us to perform the service at such rates as you fix and under such regulations as the department has laid down. And may I not add just here that that fact alone should be a guaranty to us that we would receive justice at your hands, if not liberal treatment.

Notwithstanding the fact that we are spending considerably more money in the maintenance and operation of our property than we earned 12 years ago, we are actually being paid a total of less for carrying the mails now than we were paid 12 years ago, though we are handling, of course, more mail and performing 60 per cent more mail-car miles. Please understand that in referring to the present I am using our last annual figures; that is, figures for the year 1911–12.

The CHAIRMAN. Have you the weights as to those periods mentioned?

Mr. ANDERSON. I may say, sir, that I have not, but the weights have not materially increased. The truth of the matter is, Mr. Chairman, that the department has rearranged the routes in such a way that it is impossible to make a comparison. For instance, we have a line north from Augusta of 134 miles and also one south of Augusta 125 miles. There is absolutely no physical connection, except such as we have arranged for in connection with other lines, yet the department has, just before the recent mail weighing, made it one route and called it one all the way through. In that way they made one of the numerous reductions which have taken place in our mail pay for the past number of years. During the time referred to, when we had a 2.44 per cent reduction in our earnings, the total mail-car miles for 1900 were 252,748; for 1911–12 there were 400,543 miles, an increase of 147,795 miles, or an increase of 59.48 per cent. We are performing 60 per cent more service and we are paid 2.44 per cent less for it, that is, less compensation. The rate paid per car mile in 1903 was 9.3 cents, and, mind you, this is an apartment car, and the rate paid per car-mile in 1911 and 1912 was 5.7 cents.

These figures are exclusive of pouch routes, nor do they take into consideration the cost of handling to and from post offices, which, if included, would still further reduce our earnings per car mile.

In such we have some 40 to 50 pouch rates not included in this statement of 5 cents.

Assuming that there had been no increase in the weight carried, and that we were being paid under the increase we were entitled to (if there had been no change in the rates to us), on account of increased cost of doing business, we would have been paid about 15 cents per mile, car-mile, instead of 5.7 cents. Laying aside every other consideration but the fact of increase in doing business, and assuming that we did the same amount of business we did a few years ago, we would be paid now 15 cents as against what we are actually paid, of 5.7 cents.

We have never regarded our passenger business as profitable, as you will understand from the following figures:

Mr. LLOYD. What passenger rate do you receive?

Mr. ANDERSON. What all other lines in our section receive. Two and one-half cents is the maximum. That is just what the Pennsylvania receives in the State of Pennsylvania as a maximum.

During the past year our passenger service revenue per train-mile was 82 cents. Our operating expenses per train-mile amounted to $1.33. Last year our average passenger train revenue per car-mile, including Pullman cars, coaches, baggage cars, and express cars, was 25.48 cents per mile and yet our mail, which practically occupies the half of one car, paid us only 5.7 cents per car-mile, or considerably less than one-half of what the average car in our passenger trains earned, and that too notwithstanding there was but little, if any, profit from our passenger trains.

The CHAIRMAN. To illuminate a little, you say your passenger revenue per train-mile was 82 cents?

Mr. ANDERSON. Yes, sir.

The CHAIRMAN. And your operating expense per train-mile amounted to $1.33?

Mr. ANDERSON. Not passenger-train mile. I do not want to mislead you.

The CHAIRMAN. Your operating expenses for passenger trains?

Mr. ANDERSON. No, sir; per train-mile.

The CHAIRMAN. What was your freight per train-mile revenue, your mail per train mile revenue, and your express per train mile revenue, in order that we might determine what your revenues per train-mile were?

Mr. ANDERSON. I can not give you that in detail but I can tell you our passenger trains earned about one-third of what our freight trains earned.

The CHAIRMAN. Then, under that your freight per train-mile was 2.46?

Mr. ANDERSON. What do you mean?

The CHAIRMAN. You say your passenger revenue per train-mile was 82 cents, which was one-third of the revenue received on your freight per train-mile?

Mr. ANDERSON. No, sir; I do not think I said that. If you so understood me, I do not mean that. What I meant to say was our gross earnings of freight were about two-thirds of our passenger trains. In other words, we will say that for every dollar of gross earnings our freight trains earned about 65 cents and the passenger trains about 35 cents. The proportion is a little less than that. Our passenger train earning, per passenger-train mile, as I have said, was 82 cents. I heard the gentleman make the statement that no accountant could tell you enough in order to enable you to tell the difference between the cost of operating a freight and passenger train. The direct cost of operating one, as against the other, I should say, does not differ a great deal.

The CHAIRMAN. If you will pardon me and let me interrupt you I would like to ask a question. Under the statement that you have presented to the committee this inference is possible, to my mind. You say you receive 82 cents for passenger service per train-mile.

Mr. ANDERSON. Yes, sir.

The CHAIRMAN. And it cost $1.33 per train-mile to operate. You do not expect rates from the passenger service to pay the cost of operation of the whole service?

Mr. ANDERSON. I am basing this presentation of the facts to you on the fact that even taking it at the 82-cent rate it is less than the cost of the service.

The CHAIRMAN. Less than the cost of the whole service?

Mr. ANDERSON. Less than the cost of the passenger service.

Mr. LLOYD. Is the passenger service $1.33?

Mr. ANDERSON. I do not know just what it is, but certainly it is not as low as 82 cents.

The CHAIRMAN. The reason that you make the presentation of the passenger revenue per train-mile is because you figure mail as part of the passenger service.

Mr. ANDERSON. Yes, sir; a part of the passenger earnings and including the mail we get 82 cents.

Mr. LLOYD. Do you also include mail, express, and passenger?

Mr. ANDERSON. Yes, sir. I include everything in our earnings, that is 82 cents per passenger train mile.

Mr. LLOYD. How much of that is passenger, how much express, and how much mail?

Mr. ANDERSON. Our express is about what our mail is. The express does not amount to anything but it is operated and handled absolutely at a loss just as our mail is handled at a loss.

Mr. LLOYD. The loss on each is about the same?

Mr. ANDERSON. Yes; I should say we furnish each about the same amount of space and the tonnage of each does not amount to a great deal.

Mr. LLOYD. And you entered into a voluntary contract with the express company to carry that express at that rate.

Mr. ANDERSON. Yes, sir.

Mr. LLOYD. And yet you make complaint against the Government for paying you as much for the mail as you get under the voluntary contract that you have entered into with the express companies?

Mr. ANDERSON. Yes, sir; and I think that is susceptible of the easiest kind of an explanation. Our express business is handled at a loss for the same reason that our mail business is handled at a loss so far as the public is concerned. In other words the express business is a necessity for our section of the country and we feel the importance of caring for our section, although we may care for them at a loss just as well as the Southern Railway, the Atlantic Coast Line or any other railroad in our section cares for its people.

The CHAIRMAN. Has your railroad any interest in the express companies?

Mr. ANDERSON. None at all, sir. In our contract with the express company we get about half the earnings. The express company assumes all the responsibility for loss and damage to its employees and to the express. All that we do is to furnish the space on our cars and haul the business.

The CHAIRMAN. By half of the earnings you mean half of the gross receipts from the express companies for the business which goes over your line?

Mr. ANDERSON. Yes, sir. I use those figures in round numbers. The figures may not be exactly accurate, but that is the method of computation. The business of the express company has gone down as low as $6,000 or $8,000 per year. Can you imagine our making a trade with the Southern Express Co. whereby we would get more than we would get out of the mail, $22,000, when their business goes down as low as $6,000 or $8,000? To say the least it is a perfectly equitable transaction between the railroad and the express company. We are

not obliged to make the contract except we are forced into it by the position of the country there, and we must serve our section as other sections serve their people, and the express company would not go into an arrangement with us and say, "We will guarantee to give you $25,000 a year when our earnings are very much less." They undertake to provide our section of the country with express facilities, and they say to us, "You haul the business, you furnish your cars for it, and we will do the balance; we will furnish the messengers, we will assume all the responsibility, we will pay all the claims, and you will get one-half of whatever we earn." I do not know but what that is a very fair arrangement. It strikes me that it is, and I venture the assertion that even if it is an unfair arrangement it is the best we can make with the express companies. However, it is an entirely different proposition with the mail. I think if our section of the country needs mail facilities, supposed at least to be furnished by the United States Government, that it is not the railroad's business to furnish it, but the Government's, and if there is any loss sustained it is the Government's place to lose it and not the railroads. It strikes me that is a very fair proposition.

Mr. LLOYD. Is not the same thing exactly true with reference to the express?

Mr. ANDERSON. Not at all, sir. I think it is a very different proposition.

Mr. LLOYD. Do you not think you are under just as much obligation to the people and to the Government to carry the mail as you are to carry the express?

Mr. ANDERSON. We are discharging that obligation.

Mr. LLOYD. Yes; but you are complaining that you are not getting paid for the one, and you are not complaining that you do not get paid for the other.

Mr. ANDERSON. We do not share in the mail earnings. Suppose the mail makes $1,000,000 a year on our road, which is rather an absurd illustration, we would not participate in that. It does not make any difference to us whether the mail earns $1 or $1,000,000, but it is an entirely different proposition with the express company; we undertake to go into an arrangement whereby we are going to serve a section of the country for 25 years.

Mr. LLOYD. And you volunteer to enter into that contract to carry that express at a loss, and you know it is going to be at a loss?

Mr. ANDERSON. No, sir; I do not think that is exactly a fair way to put it. We go into an arrangement with them and say this: "We will haul it, we will furnish the cars, you furnish the men, furnish all expenses, assume all the risk, not only the damage that may result to the express, but from personal injury to our employees, and we will divide the profits." That strikes me as rather a fair proposition. It may be one-sided, but I do not think so.

The CHAIRMAN. As I understand, you do not divide the profits, but you divide the net receipts, and your distinction between the Government in carrying the mail and your contract with the express companies is that you hope for a profit in the express business, but you see none in the Government business?

Mr. ANDERSON. That is true, sir; and every dollar that the express company makes we share in.

Mr. LLOYD. I can not understand you. You say that you carry the express at a loss?

Mr ANDERSON. I say so; yes.

Mr. LLOYD. And you have carried it for these 25 years, and it has been your experience that you have carried it at a loss, and you continue to carry it at a loss. I can not understand why you would enter into a contract at a continual loss?

Mr. ANDERSON. I just told you.

Mr. LLOYD. I do not know whether you participate or not.

Mr. ANDERSON. I told you the reason we continue it is because we think it is due our section of the country.

Mr. LLOYD. If you and I enter into a partnership business and we both know that we were going to lose money by it, and we continue that partnership——

Mr. ANDERSON. I rather object to your putting it in that way, because we hope we are going to build it up, and we will profit in the end by the arrangement.

Mr. LLOYD. But you have explained you have done this for 25 years at a loss, and naturally the presumption will be that it will continue at a loss.

Mr. ANDERSON. I do not think it is unnatural, because we have an arrangement with the express company where we have something to do with the division of the expense and earnings.

Mr. LLOYD. You have an arrangement with the Government whereby you are going to receive a fixed compensation for carrying the mail?

Mr. ANDERSON. On the other hand, it is largely fixed by the Post Office Department.

Mr. LLOYD. The difference between the two is that with the railroad company and the Government you have a fixed compensation and know what you are going to receive and you know just what you are going to lose. With the express company you enter into a voluntary contract which will be a loss, and you do not know how much you are going to lose because you do not know how much express you are going to carry.

Mr. ANDERSON. In our way of looking at it there is a great deal of difference between us.

Mr. TUTTLE. Does the Southern Express Co. find its business profitable?

Mr. ANDERSON. I think, as a whole, they do. I am not interested in the Southern Express Co., and it does not make a particle of difference to me or to my mind whether thay make one dollar or a million. If you take into consideration the capital the Southern Express Co. has invested, and the fact that the express company's business is largely what we call a kind of franchise or the right to do business, I do not know that they make any undue return. In our State, Georgia, the railroads are taxed on franchises—the right to exist. We get a great right for which we pay very dearly, and we are taxed for that privilege. It seems to me that the express companies are largely franchises that are valuable to them, and it is an uncertain kind of business, for one year they may do well and the next they may be out of business.

Mr. TUTTLE. I did not want to get you outside of your line of thought.

Mr. LLOYD. While your road has a considerable number of miles, would you not class it in the same category of what we call the short-line roads.

Mr. ANDERSON. Well, sir, I have been trying to keep in touch with both of them. I am perfectly willing to be classed with either.

Mr. LLOYD. It seems to me that I recognized you as being with the short line people?

Mr. ANDERSON. I am not going to disclaim my association with those good people. I have been with them for two years in making this fight, if I may so term it, for a more reasonable adjustment of our pay, and I am sure that I have no apology to make for that association. They need aid and certainly we need it.

Mr. LLOYD. You may have misunderstood the purpose of my question. The objection that you raise to the question of compensation would be the objection which is raised by the short line people, and whatever is applicable to the short line people ordinarily would be applicable to your road, notwithstanding it is a longer road than what we ordinarily call a short line road.

Mr. ANDERSON. That is true. I think what you will do for them you will do for us.

Mr. LLOYD. From what I know of your road it does not run through many large cities and it is largely what we would term, in many localities, a kind of neighborhood road resulting in benefit to the neighborhood that is not on the main line of road?

Mr. ANDERSON. Unfortunately we run through a section of country which I have already stated in my brief remarks is largely competitive. A large part of our line is through the piedmont section of South Carolina, and the people who live in it think it is the garden spot of the world. That part of the country has grown very largely and, notwithstanding that growth, our line, especially from the mail standpoint, has not prospered or kept pace with it.

Mr. LLOYD. That is due to the fact that the mails are carried on the competitive road?

Mr. ANDERSON. That is due to the fact that the methods of the department and the regulations laid down by the Congress make it possible for them to add expenses to our service for which we receive no pay. The consequence is our earnings have been kept down and our expenses have grown in enormous proportion. I will give you some figures which I think will impress you all as being rather remarkable.

Our cheapest service is supposed to be our freight-train service; it is cheapest because of the largest volume that can be hauled in the most inexpensive way. It is because the facilities and men engaged cost less per dollar earned than in the passenger service. It is because the original cost of freight cars and as well the maintenance is hardly one-tenth the cost of passenger cars, and it is also because we do not have to furnish in many other respects the same expensive service that is required by passengers.

I am sure it will be admitted by this committee that if the vast majority of our roads fail to make something on their freight business, they would fail to pay expenses and that if we use our cheapest service as a comparison, that we go very much further than we ought to have to go in demonstrating the utterly inadequate pay allowed

us for handling the United States mails. We averaged last year (1911–12) 14 cents per car-mile for every freight car, whether loaded or empty, handled on our line, yet we only earned 5.7 cents per mail-car mile, not including—mind you—the handling of mail to and from post offices, nor does this include some 40,000 pouch-route miles.

To appreciate what this really means, I will add that 41 per cent of our business is coal, much of which is handled at the very low rate of 3.2 mills per ton per mile and the cars returned empty.

The space set aside in our apartment cars for mail service averages about 192 square feet per car, while our freight-car average is about 306 square feet per car. Therefore, we find that had our mail-car service paid the same rate per square foot per mile that our freight-car service paid, including empties, we would have earned 8.8 cents per mail-car mile, instead of 5.7 cents, or $35,247.78 instead of $22,917, our present mail pay. Is this statement of facts not alone sufficient to convince you how inadequately we are paid?

Is not that mere travesty on the mail pay of the C. & W. C. Railroad? Our freight business, taking our freight cars loaded and empty, per square foot, pay us nearly 60 per cent more than the space used by the United States Government for the handling of their mail.

Mr. LLOYD. Do you think it would be profitable to your road to stop carrying the mail?

Mr. ANDERSON. Mr. Chairman, if I had my way about it, I think I would dare run the risk of having our tracks torn up in that section of the country and go out of the mail business.

Mr. LLOYD. I am not putting it on that basis.

Mr. ANDERSON. I think I have answered your question. I mean to say that I think it is unprofitable and we ought to go out of the mail business, and we would go out of the mail business so far as I am concerned if I did not think we were doing something for the people of that country. That is as strong as I know how to put it. I do not believe if the Second Assistant Postmaster General was himself present in this room, and he has looked into our situation, that he would hesitate to tell you we are not being paid anything like the cost of our service on our line.

Mr. LLOYD. I am well satisfied you do not get much compensation for carrying the mail on your road. I think your road is an exceptional case.

Mr. ANDERSON. On the other hand, I think that is about the same way with every other railroad that has that kind of route. I do not see how it can be any different. I heard a man from the Erie road the other night state that on a number of his routes they were paid less than 2 cents for apartment cars; actually not paid as much as you would have to pay for a passenger.

The CHAIRMAN. You said that you were paid 5.7 cents?

Mr. ANDERSON. Our revenue for apartment car mile is 7.5 per mile.

The CHAIRMAN. While your freight revenue is 14 cents?

Mr. ANDERSON. No, sir; coal is 41 per cent of our freight business, and on that the rate is 3 mills per ton per mile, and that is 8.8, or 60 per cent more. If this applies on a light mail route, such as ours, I do not understand why it would not apply on a light mail route, such

as the Pennsylvania Railroad would have. I assume that every railroad in this country has a very great many very light routes; and if they do this on every one of them, they compare almost identically with our situation.

The CHAIRMAN. Is your road owned by any other railroad, or by the public generally?

Mr. ANDERSON. No, sir; it is not owned by any other railroad. It is owned by the same interests that own the Atlantic Coast Line, and the Atlantic Coast Line owns the Louisville & Nashville.

The CHAIRMAN. It is owned by individuals and not by another corporation? You mean there is a common ownership; that the stock is owned generally by the system?

Mr. ANDERSON. No, sir; I should not think it would be worth much, and I imagine the man who bought it wanted to take it as a "job lot," and he got it very cheap; if he did not, he got bitten.

The CHAIRMAN. He has not been able to let it go as yet?

Mr. ANDERSON. He has not been able to let it go. I am trying to get the road in condition where he might let go if he wanted to; but he is still hanging on.

Compare the character of cars, the character of contents, including the Government's employee (who is in every sense regarded as a passenger), the fast service, the greater risks, and the extra delivery service at all stations with the ordinary freight service, and surely it can not be questioned that the pay allowed us is absurdly low.

The committee will not doubt ask in what way our mail pay has been reduced and to what extent. Need I answer the question other than to refer to the fact that our total pay to-day is less than it was 12 years ago, though gross earnings of our road per mile have increased during that time fully 100 per cent, and our mail car miles have increased nearly 60 per cent, and our gross operating expenses during the same time have increased more than 100 per cent.

During that time our freight earnings have gone up 150 per cent. During that time our passenger earnings have gone up 100 per cent. During that time our gross earnings have gone up from $2,000 a mile to $5,600 a mile. During that time our mail-car miles have been increased 65 per cent from 250,000 miles, in round numbers, to 400,000 miles, and we are to-day getting less for handling the mails than we got 12 years ago. There is something wrong, gentlemen, about a system of that kind.

Mr. LLOYD. In that time there have been two reductions of 5 per cent each and a divisor reduction?

Mr. ANDERSON. Yes, sir.

If our rates had not been reduced and we had been paid in accord with the increased cost of doing business, not to mention the increased mail-car miles, we would get to-day twice as much as we were paid 12 years ago.

Mr. LLOYD. As I understand you, you say that you are only carrying about the same amount of mail that you did 12 years ago?

Mr. ANDERSON. Not a great deal more. I do not think we are carrying much more.

Mr. LLOYD. The misfortune with you is that you are not carrying mail?

Mr. ANDERSON. Yes, sir; that is one of the misfortunes; but we have a greater one than that.

The CHAIRMAN. From your viewpoint, would not this be true: That it would be rather good fortune to you if you did not have more mail to carry, on the theory that the more you had to carry the greater the loss would be?

Mr. ANDERSON. At one time before the congressional committee, of which Mr. Lloyd was a member, I made the statement that I thought that the only excuse for the department's method of rates of pay to us was that they viewed it like the merchant who was asked how in the world he managed to sell goods below cost, and he said it was because he sold so many. You must remember, however, we are called upon by the Government to furnish facilities that involve the handling to-day of 205 pounds of mail in each direction. We could just as easily handle a thousand and never know the difference; and that is the only way to measure it, by pounds. At the same time, we also know when we compare 250 pounds of mail with 1,000 pounds of mail, both handled in a car that weighs 40,000 pounds, as the saying is, it does not cut much ice.

I took occasion some two years ago to compare our pay with that of the rural carrier, whose pay is fixed by the same power that fixes ours; and again I say "fixed" advisedly, because we all know that reference to the arrangement as a contract is, to say the least of it, a rather amusing misapplication of the term. The rural carrier is paid some 14 cents per mile for the service that he performs, which consists of carrying a few pounds of mail over a highway furnished by the public, while the railroads maintain their own highway at a cost to them of—in many cases—one-fifth of their gross earnings and in addition they must furnish and transport an office for the Government's agent, who must also be carried free, all—in our case—for 5.7 cents per mile.

You pay one man for hauling your mail in the rural section.

The CHAIRMAN. You buy his whole time. You do not take his time for hauling the mail?

Mr. ANDERSON. You do not think that is exactly a fair way?

The CHAIRMAN. I think it is just as fair as your presentation.

Mr. ANDERSON. I thought this was a very fair way of putting it. I had not the least bit of trouble in convincing myself that the committee would agree with me on that proposition.

There must be some cause for so great a difference. Is it because the Government can not get its work performed by the individual if it paid even as low rates as it pays the railroads for ten—yes, twenty times the service? Surely the fact alone that the Government may force its regulations upon the one, while it must pay the other reasonable rates, or else do without the service, is not the reason we are being paid such unjust rates; rather it should be a reason why the Government should see that we were properly paid. We have no voice in this matter. All we can do is to appeal to this committee.

The CHAIRMAN. And furnish the committee with the information.

Mr. ANDERSON. And furnish the committee with the information and ask them to give us a fair return for the service that we perform.

As further evidencing the inadequate pay and the unreasonableness of the practice indulged in by the department, I wish to cite a case where, at Anderson, S. C., the terminus of our 59-mile branch, the post office is located about one-fifth of a mile from our passenger

station. We employ a carrier, in connection with the other lines, to handle the mail to and from our trains. We are paid for the service about $10 per year, which is one-fifth of the rate per mile we are paid for handling mail on this branch. We paid for this service, up to recently, $120, or twelve times what we received for it. Recently, and since the parcels post was inaugurated, our carrier has insisted upon an increase of $5 per month. We tried to make other arrangements, but finally found it the most economical thing that we could do to pay what he demanded—$180—or eighteen times what we get for the service.

The CHAIRMAN. That $180 is his compensation for the year for carrying the mail, or that is his portion of his pay you charge to the carrying of the mails?

Mr. ANDERSON. No, sir; that is the amount we pay him. That is our proportion of the pay given that man out of some $40 or $50 a month by the lines interested, and I pay $15 a month of it for carrying that mail to and from our trains for that one-fifth of a mile, for which we get about $1 a month.

The CHAIRMAN. And that is insignificant if his whole time were employed in carrying the mail and he got compensation for his service?

Mr. ANDERSON. That is true, sir.

In the Postmaster General's report, known as "Document 105," he shows that we lost on our so-called contract with the Government for the month of November, 1909, $1,323.33, or 40.90 per cent. Our figures, using as we did the basis outlined in the department's directions for the preparation of the information, showed a net loss per month of $3,369.04, which for the year means a loss of $40,428.48.

Those are my figures, using his basis and I could not follow him any further.

The department figures that we ought to be paid 6 per cent on the direct cost of performing the service—that is, 6 per cent on $38,828.18, making the total amount that should be paid us $41,160.86. We are paid $22,000. The department says, taking that basis, we ought to be paid $41,000. Again, using the department's basis, including the 6 per cent on their way of arriving at the cost, we should be paid $67,179.28, or just about three times what we receive. We, of course, do not agree with the department's method, but know from experience that we must get 35 per cent in excess of the direct cost to properly maintain the property and give to the owners a reasonable return on its value.

As a general proposition, railroads to be prosperous must be able to show an operating ratio of between 65 and 75 per cent of its gross earnings. There are many roads that could not stand 75 per cent. There are others, our line for instance, that should show less than 65, if we reach with our present earnings a healthy condition.

Referring for a moment to the proposition as generally outlined in Document 105. To say that any other basis of pay should or could be used than weight strikes me as just as much impossible, if the rights of all concerned are to be regarded, as it would be to say that in the purchase, for example, of tea the only thing to be considered would be its flavor. Unquestionably flavor is a neces-

sary factor. Likewise unquestionably, space is a necessary feature that must be reckoned with; but to say that only space would be paid for and that the department alone would say what space was needed, and therefore what would be paid for, would be more one-sided and more utterly without reason than the present practice of forcing the railroads to furnish apartment cars without pay, with the right to add apartment cars with every additional passenger train schedule that may be put into service and still the department only pay for the gross weight of the mileage covered.

That seems to me to be all wrong, and it ought to be corrected. There can hardly be anything fair in that proposition.

For example, up to a year or so ago we operated only one passenger train daily in each direction on our main line, and the department was paying us on gross mail weight of some 819 pounds per mile of road, which, you understand, was handled on one train in each direction. Now, we have two passenger trains in each direction, and the department has called for mail service on the new trains, with the result that we have had to double our expenses without receiving one dollar's additional pay. That is to say, a few years ago we furnished apartment cars for the handling of about 410 pounds of mail per apartment car mile, for which we were paid some $80 per mile of road. Now we are furnishing apartment cars for some 205 pounds of mail and yet are still only paid $80 per mile of road, though we are called upon for twice the facilities and put to twice the expense heretofore incurred.

The CHAIRMAN. That is on the basis that your weight of mail is the same?

Mr. ANDERSON. Is the same. This, I respectfully submit, should be corrected, and for additional service we should receive additional pay.

The short lines are asking for the passage of what is known as the Talbott bill, providing not alone for payment for apartment cars, but for an increase in the present rates for the light routes.

I wish to go a step further, and I submit the suggestion as one to which we are entitled in all fairness, and that is that where the department calls for additional service on any route carrying less than 1,000 pounds per mile per year that a minimum allowance approximating 500 pounds be made. I do not believe that this will mean a dollar's increase in the expense of the department for handling the mails, but it does mean that it will have a deterrent effect upon the department in preventing their calling upon the railroads for additional service on the same route, when probably the gross weight of the mail carried will not pay the cost of the service performed by the railroads.

Of course the department is going to ask for additional service; it does not cost them anything. They will get a visit from a Congressman and say you must put on certain routes; and, well, why shouldn't it? It costs the railroad a good many thousand dollars, but that does not concern them. But it ought to concern them if they are given the power to do things of that kind.

In further support, in a general way, of the Talbott bill, I submit that we should be paid for office and mail car space, whether full-length cars or apartment cars, for surely there can hardly be a reason

why post offices on wheels should be furnished by the railroads free of charge and transported over the roads for the convenience of the department, whether they are 20 feet in length or 40 feet in length.

On one occasion, in discussing this matter before a committee, the suggestion was made that the Government could not afford to increase the pay of the light routes, upon the theory that the Government's receipts were very low. I respectfully submit that that is a matter in which we are not interested. If the Government proposed to put on unprofitable routes and operate them at a loss, they should pay for the service.

We are not here asking for an increase in rates already compensatory, but we are here asking that we be paid something like a reasonable price for the services that we are performing, and we are also asking that the department be restricted in their demands for service by at least placing upon them the necessity of paying something additional when they ask for increased service and facilities.

I thank you for the time that you have given me in presenting what I feel is a simple plea for justice—nothing more.

Mr. LLOYD. Do you stand by the Talbott bill?

Mr. ANDERSON. I would not like to say that the Talbott bill is exactly what I would like to have, but it is so much better than what we have now, I think we could stand it.

The CHAIRMAN. At the hearing this morning, before a recess was taken, Mr. Peters presented a tentative draft of a bill which, in his opinion, would meet with the approval of the 214,000 miles of road represented in the Railway Mail Association, of which he is chairman. That bill appears on page 194 of the typewritten record (p. 181 of the printed record). Would you look that over, and say whether you think the enactment of that measure would remedy what, from your viewpoint, are the evils or injustice in the present method of railway mail pay?

Mr. ANDERSON. Mr. Chairman, that is along the right lines, and it is in the right direction, but I do not think it goes far enough.

Mr. LLOYD. That does not make the necessary charge of 500 pounds.

Mr. ANDERSON. No, sir. Mr. Chairman and gentlemen, I think that is in the right direction, but I think the department ought to be restricted in their ability to place upon the railroads any kind of service, and as much service as they may choose, when measured by the number of passenger trains we may have on a railroad.

Mr. LLOYD. Do you not carry express on all of those trains?

Mr. ANDERSON. No, sir; we do not.

Mr. LLOYD. You are carrying mail on trains you do not carry express on?

Mr. ANDERSON. Yes, sir.

Mr. LLOYD. Do you carry express just one way?

Mr. ANDERSON. I can only say that we do carry mail on some of the trains we do not carry express on, but even though our property is a small one, and it may reflect upon my knowledge of the situation, and I ought to know it, I could not tell you whether we handle express on all of our main-line trains. I think there is one round trip on one part of the road on which we do not handle express, and we make this arrangement with the express companies that our baggage-master can

handle the express, and we simply provide for the tonnage on the trains and he handles it in the baggage car.

Mr. TUTTLE. Is the side service or the messenger service a burden to your road?

Mr. ANDERSON. Yes, sir; it is, and it is a rather serious burden, and it is becoming vastly more so with the addition of the parcels post. We are having applications from all along our line of road from our agents for additional help in order to handle the mails to and from the post office.

Mr. TUTTLE. Do you have to do that in small villages?

Mr. ANDERSON. Yes, sir. For instance, we received a letter a few days ago from the agent in the county seat of Hampton County, at Hampton, saying that his men could not handle the stuff, and he would have to have additional help. I told him to make two trips, that I did not think the department would mind waiting a few minutes. It is a considerable burden to us, and I want to emphasize the importance, from my viewpoint, of some deterring influence by legislation or some arrangement leaving it to the wisdom of you gentlemen to prevent the department adding on mail service when they get ready, without any possible cost to them and especially when there is a very small amount of mail involved.

The CHAIRMAN. In that connection is there any benefit to them? Do you suppose a department head has any selfish interest at all in making improved mail facilities?

Mr. ANDERSON. I certainly would not charge the department with having any selfish interests there.

The CHAIRMAN. Should not your criticism, then, be that you are entitled to compensation for every additional burden that may be put upon you either by the legislature or administrative branch of the Government?

Mr. ANDERSON. I think that is what I said. That is at least what I intended to say. I had no desire to criticize the department, and I stated, and I stand by my assertion, that I venture it will not cost the Government $1 more if they will place that deterring factor upon the department. If it costs them more money to do it they are going to be mighty careful how they do it. If it does not cost us anything we will do most anything a fellow asks us to do

Mr. LLOYD. The only effect of requiring these additional services to be rendered is to satisfy the public. The mail is wanted by the people as frequently as they can get it, and if you have two trains running each way a day it is perfectly natural the people will want the mail on each train, and I certainly do not blame the people. Do you not think these people are demanding of the department and insisting that the mails shall be carried on each train?

Mr. ANDERSON. That is what I am complaining of. I am complaining of the department's right to put it on without paying for it.

Mr. LLOYD. You complain of the law which permits it?

Mr. ANDERSON. I certainly, do, sir; and in my criticism I presume the department is doing nothing but what they have a right, and I hope nothing I have said has indicated a disposition to criticize the department unjustly. I also feel some reluctance in going on record as criticizing the lawmaking body of our land, but I have stated some facts which I think in all justice should be corrected.

The CHAIRMAN. We thank you very much, Mr. Anderson.

## STATEMENT OF H. E. MACK.

The CHAIRMAN. Mr. Mack, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your full name, occupation, and the official capacity in which you appear before the committee.

Mr. MACK. H. E. Mack, manager of mail traffic, Missouri Pacific Railroad, St. Louis, Mo. My age is 46.

The CHAIRMAN. You are associated, are you not, with the Railway Mail Association represented by Mr. Peters as chairman?

Mr. MACK. Yes, sir.

The CHAIRMAN. In any official capacity?

Mr. MACK. Merely as a member of the subcommittee. On behalf of the committee, and at the suggestion of the chairman, I have taken up a special subject, rather than the general subject of transportation, and that is this, to describe and bring out the situation with regard to the messenger service, which has many phases that are not developed and are not understood, as I find frequently in the discussion of the subject.

The carrying of mail between railway stations and post offices by railroad, in connection with mail transportation, is not specifically provided for by an act of Congress, but it is required of the railroads by the Post Office Department, under a judicial decision, based upon a practice in existence when the equalization law of 1873 was enacted, which practice was grafted from the star route service upon the railroad service in the beginning, and has since continued.

The bill proposed by the Post Office Department in Document 105, with reference to this service, reads as follows:

> They shall provide side, terminal, and direct transfer service for handling, distribution, and transfer of mails en route, and for offices and rooms for the employees of the postal service engaged in such transportation, when ordered by the Postmaster General.

The Post Office Department, in the statistics used in Document 105 makes the following statement:

> The data reported by the companies on Form 2602 as to expenditures for station service and station and terminal facilities furnished were very carefully considered, and in view of the fact that it was found impossible to ascertain the totals of the accounts from which the amounts directly charged on this form should be deducted, and of the fact that such data were found to be unreliable in many instances, and of the further fact that it was determined that the mail service should participate in all of the station expenses upon a basis of car-foot miles, it was decided not to make use of such information in connection with the cost ascertainment.

The view, as above stated, might be logical, with regard to station service; that is, as to the handling on the railway station property by agents and porters, but the carrying of mails between the post office and station is not a station service. It is entirely an extra service and in no sense a natural or usual function of a railroad in connection with its transportation business.

The CHAIRMAN. The part that you read from the suggested bill printed in Document 105 is the same requirement contained in the second suggested bill as prepared and submitted by the Postmaster General under date of January 20, as printed in the last portion of this pamphlet?

Mr. MACK. So far as I understand there has been no change. I do not believe there has been any change.

The railroad does not provide drayage for delivery of freight; wagons for the delivery of baggage; carriages for the delivery of passengers; nor wagons for the delivery of express. It performs no service beyond its station property.

Although this is a most valuable service to the Post Office Department, and actually saves the Government from employing probably 30,000 mail messengers, it is not taken into account in the department's calculations of cost, nor as to compensation to the carriers, in its proposed bill.

The report of former Postmaster General Meyer to the Senate Committee, on February 19, 1909, estimated the value of this service as $4,393,000 per annum, and it may be fair to assume that its value is higher to-day, as the rate per mile traveled on mail messenger service routes, in 1909, was 12.28 cents, while in 1911 it was 13.36 cents.

The bill of the Post Office Department, however, as stated, makes no provision for payment for this extra money to the Government, of the amount above quoted, and under which bill the railroads would be required to throw in this valuable service for nothing. This manifestly would not be right or fair to the railroads.

The CHAIRMAN. If you will allow me to interrupt you for a moment, do you think it costs the transportation company the same as you say the ex-Postmaster General estimated it would cost the Government, $4,385,000?

Mr. MACK. No, sir; it does not.

The CHAIRMAN. Have you any estimate as to what additional expense, because of the side service, actually is to the railroad companies?

Mr. MACK. I can not give you that information for all of the roads. It was reported, but not compiled satisfactorily. I can give you the information for our road, which shows the actual cost for employees solely for this purpose to be about $25,000 or $30,000 per annum.

The CHAIRMAN. What do you receive in the way of total mail compensation?

Mr. MACK. $2,500,000.

The CHAIRMAN. That covers the R. P. O. and railway mail pay both?

Mr. MACK. The entire pay; yes, sir.

The CHAIRMAN. And your additional cost of extra employees solely occupied in the side service to your road is from $25,000 to $30,000 a year?

Mr. MACK. Yes, sir.

It is desired for the information of your committee, and for the record, to show some of the actual conditions and hardships arising from changed conditions since it began, and from administrative practices in connection with this service performed by the roads, to a better understanding of the subject.

When referring to this messenger service performed by the railroads the idea may be conveyed that the station agent, in connection with his station duties, once or twice a day merely carries a bag of mail on his back from the post office to the station for the outgoing train and another bag to the post office after the train leaves. When this service first began with the railroads this was probably true, but with the rapid growth of the postal service in recent years, and the

great development of the railroads, the messenger service performed by them has become increasingly difficult, and instead of being as it began, an incident of the agent's duties conveniently performed, it now requires the railroads in many cases to employ contract wagon service on account of the volume of mail, and special messengers on account of other conditions.

The following illustrations will describe special burdens, difficulties, and expense involved in performance of this service on the railroads of the country at this time.

Mr. LLOYD. In that connection, in speaking of what it costs you for the side service, do you know what the Post Office Department's estimate was of what it would cost your road?

Mr. MACK. I do not know, sir.

Mr. LLOYD. I did not know but what you might have made some sort of a report. Would that appear in any report that you have made?

Mr. MACK. No. I can probably answer your question that it was probably based on the average cost of messenger service for which the department does pay.

The CHAIRMAN. Would it be fair to the transportation companies with whom the Government does business, to take as a criterion the specific information you have submitted, namely, that you receive $2,500,000 of the total compensation paid by the Government for railway mail and R. P. O. service, and it costs you for side service from $25,000 to $30,000 to perform that? Would it be fair to apply that to all the transportation companies proportionately? In other words, take the percentage of what you receive of what the Government pays for railway mail pay, and R. P. O. pay, and then multiply the $25,000 or $30,000 by that percentage? Do you think that would be fair to the other companies?

Mr. MACK. I could not say as to that, but I would like to say this: That on the small independent roads that ratio would not be very useful.

The CHAIRMAN. It would cost them proportionately much more than it costs the Missouri Pacific with the large business that they do?

Mr. MACK. And it would affect them very directly and very seriously, while with the large systems the proposition might be worked out on the percentage basis of cost.

The greater frequency of train service, especially in the denser sections of the country, makes the service burdensome, on account of the increased number of trips required between the post office and the station, which may be illustrated by the conditions at Poplar Bluff, Mo., shown in the following statement:

| Station to post office: | Post office to station: |
|---|---|
| From train 28, 12.30 a. m. | To train 6, 1.25 a. m. |
| From train 6, 1.25 a. m. | To train 5, 1.50 a. m. |
| From train 5, 1.50 a. m. | To train 29, 3.00 a. m. |
| From train 10, 1.50 a. m. | To train 7, 6.50 a. m. |
| From train 7, 6.50 a. m. | To train 433, 10.45 a. m. |
| From train 433, 10.45 a. m. | To train 4, 1.00 p. m. |
| From train 4, 1.00 p. m. | To train 3, 2.30 p. m. |
| From train 3, 2.30 p. m. | To train 8, 2.55 p. m. |
| From train 8, 2.35 p. m. | To train 434, 2.40 p. m. |
| From train 436, 7.25 p. m. | |

Transfers from the following arriving trains to other departing trains:

Train 9, 12.20 a. m.
Train 28, 12.30 a. m.
Train 6, 1.25 a. m.
Train 5, 1.50 a. m.
Train 10, 1.50 a. m.
Train 7, 6.50 a. m.
Train 433, 10.45 a. m.
Train 22, 10.50 a. m.
Train 4, 1.00 p. m.
Train 3, 2.30 p. m.
Train 8, 2.35 p. m.
Train 434, 2.40 p. m.
Train 435, 7.25 p. m.

In addition the company is required to transfer the mails from its arriving trains to the departing trains of the Frisco Railroad at their depot, which is one-eighth of a mile distant.

2. As above alluded to in many instances this messenger service, instead of being performed incidentally by the railroad agent, carrying the mail between the post office and the station, the volume is so great as to require the railroads to make contract service for transportation in wagons.

The following instances will illustrate, with the special cost of service:

| | Per month. |
|---|---|
| Sedalia, Mo. | $90.00 |
| Atchison, Kans. | 35.00 |
| Alexandria, La. | 37.50 |
| Joplin, Mo. | 37.50 |
| Warrensburg, Mo. | 30.00 |
| Helena, Ark. | 30.00 |
| El Paso, Tex. | 40.00 |
| Sweetwater, Tex. | 25.00 |
| Gatesville, Tex. | 30.00 |
| Salida, Colo. | 25.00 |
| Grand Junction, Colo. | 50.00 |

I would like to say here that the service as performed by the railroads grew up from a condition that is very different from what it is to-day, and while from year to year it is costing the railroads more money to perform the service because of the distance between the post offices and stations, the night service, and other conditions—which I will develop later—show that it is costing more. The measure of that service is really the value of it to the Post Office Department. The fact that it costs us $25,000 is no criterion of what the value of that is to the Post Office Department.

The CHAIRMAN. Have you any computation or definite idea as to what it would cost the Government itself to perform the side service that you perform at an expense to you of from $25,000 to $30,000 a year?

Mr. MACK. That which we contract for the Government could probably perform at the same rate; that is, in this case where we employ special service. Does that answer your question?

The CHAIRMAN. That answers the question as asked, but I will ask another question. What would it cost the Government to perform the side service that you perform, in toto, a great proportion of it being performed, I presume, and not chargeable directly to the side service, but to employees who perform other services as well as the side service?

Mr. MACK. I think that is answered in the statement of Postmaster General Meyer.

The CHAIRMAN. I wanted your statement on it with regard to the Missouri Pacific.

Mr. MACK. I could not give you that for our company alone. However, I think the information as to the entire country would apply to all the systems equally.

The CHAIRMAN. You mean the $4,300,000 that you have quoted from ex-Postmaster General Meyer's report?

Mr. MACK. Yes; or, in other words, what it would cost the Government if it employed messengers at the rate they pay for messenger service now.

3. The nine-hour operator's service law, approved March 4, 1907, adds to the difficulty of performing this service, and in a number of instances requires the payment of overtime charges for mail handling, as the operators' hours do not always fit in with the required mail exchanges.

4. It is difficult to perform this service in some States, because in recent years State legislatures have enacted laws requiring the ticket offices to be open from 30 minutes (as in Texas) to 1 hour (as in Louisiana) before train departures, and the agents are not permitted to receive the outgoing mails at the post office more than 15 or 20 minutes in advance of train time.

5. The Rural Free Delivery Service has imposed some additional difficulties and expense, on account of the necessity of delivering mails arriving on night trains early in the morning and before the agent's scheduled hours of duty.

An illustration of this kind is at Admire, Kans., where the agent's hours, based upon train service, are necessarily fixed to begin at 8 a. m., and the Missouri Pacific Co. is obliged to deliver the mail at the post office at 6.30 a. m., because the rural carrier leaves at 7.30 a. m., therefore paying the agent about $7.50 per month overtime.

6. It frequently occurs that the Post Office Department requires exchanges of mails on trains passing stations through the night, when sometimes the trains do not even stop, and when there is no business of any kind requiring the agent to be on hand at the station. In such instances, the railroad company must employ a special contractor exclusively for the purpose of handling these night exchanges.

The postal regulation requires the service between the post office and station "at which the company has an agent or other representative employed."

The interpretation given this regulation by the Post Office Department is that if an agent or other representative is employed at any time during the 24 hours, the company must perform the messenger service during the entire 24 hours, and not only when an employee, in connection with other duties, is at the station to handle it.

The post offices usually are not open during the night, and the mail must be gotten for the outgoing night trains before the post office closes, kept in custody of the company, and put upon the proper train by the night carrier, so employed, and the incoming mails put off the night trains must be kept in the custody of the company and delivered at the post office by the carrier at such an hour as the Post Office Department may designate.

The following will illustrate cases of this character, with the amount paid per annum by the company, in each case:

| | |
|---|---|
| Allen, Kans | $120 |
| Swayne, Kans | 120 |
| Archie, Mo | 120 |
| Bridgeport, Kans | 150 |
| Carlton, Kans | 120 |
| Wilsey, Kans | 120 |
| Delaven, Kans | 120 |
| Dumas, Ark | 150 |
| Wilmot, Ark | 150 |
| Elmo, Kans | 180 |

7. In recent years the railroads have not only been required to handle the mail between the post office and the station, but the postal regulations have extended this class of work even further, and require transfer service from one railroad station to another in towns throughout the country where the distance is 80 rods or less.

8. While it might be thought that the carrying between the post office and station required of the railroads would naturally apply to the local mail between the town and the post office, it often very much exceeds this; as not only does the Post Office Department require the carrying of the local mail, but also the mail for back country star routes, or rural routes; and further, it requires the carrying of any transit or connecting mail arriving on one road for departure on another, by way of the post office, in instances where the distance between the stations is greater than 80 rods, thereby saving to the department the expense of direct transfer messenger service.

The Post Office Department employs certain direct transfer service where the connections are so close that the mail can not be passed through the post office.

9. There are many very small places, particularly in new sections, where an arrangment is made with a storekeeper, or postmaster, merely to sell tickets on commission for the public convenience, and where the business is too trivial to permit the employment of an agent or conduct a station.

The Postal Regulations are so construed by the department in such cases, if the post office is within 80 rods, as to require the railroad company to provide for the carrying of the mail.

Persons acting in this capacity are not regarded by the railway company, nor are they in fact, station agent or employees in an accepted sense.

In such cases the railroad companies are met with demands for the payment to the postmaster or storekeeper for handling the mail.

Very often, however, it occurs that by reason of the department's demands the companies are compelled to abandon such agencies.

A case of this kind occurs at Perkins, Mo., where the postmaster requires $5 per month.

10. There are instances where the time fixed for delivery of the arriving mails at the post office compel railroads to employ special carriers.

Instances of this kind are at Conway Springs, Kans., where the company pays $10 per month; and at Henderson, Tex., where, although the distance is 0.49 mile, the department requires delivery

within 20 minutes after train arrival making it impossible for the station employees to handle the service, and the company has had to make a contract at $150 per annum.

11. Another difficulty of the railroads in the matter of messenger service, and one which causes considerable dispute and dissatisfaction particularly, is the postal regulation and practice thereunder in regard to the measurement of distance between the post office and station to determine whether it is within 80 rods and whether the company shall be compelled or not to carry the mail. The difficulty arises from the indefinite regulation on this subject, reading as follows: Section 1191, paragraphs 4 and 5:

> 4. In all cases the distance between the railroad station and the post office or postal station must be measured by the shortest route open to public travel, avoiding angles, from the nearest door of the baggage room to the nearest door of the post office building where the receipt and delivery of the mails is practicable. In case there is no baggage room or station the measurement shall be made from the middle of the station platform where mails are exchanged. The route need not be a way regularly dedicated to public use; and if it be over private property, no prohibition against the Government will be recognized which shall not also have been made and enforced against the general public.
>
> 5. Any person acting for an advantage to himself or another, by authority or consent of the railroad company, and representing in any manner the interests of the company or railroad in its business transactions with the public, will be regarded as the company's agent or representative.

This leaves the employee of the Government to measure according to his judgment of what is the "shortest route," and in many cases the railroad companies and the department do not agree.

The CHAIRMAN. Suppose that the Government, through its own employees, performs the whole side service, and suppose the trains were late and the employee took half an hour or an hour or several hours of his time waiting for the trains. Then should the transportation company be debited because of that loss of time to the governmental employee due to the train being late?

Mr. MACK. I would not think so.

The CHAIRMAN. Is not the responsibility with the transportation company because of the loss of time of the governmental employee and not with the Government? I mean: Suppose that the Government assumed the whole side service, eliminating for the time being the question as to the compensation to the railroad for its performance of side service, and the Government does perform the whole side service, in your opinion, under a condition of that kind, where the employee's time was not occupied but was wasted, if you please, because of the irregularity of the trains on their schedule, who would bear that loss? The transportation company, would they not?

Mr. MACK. That is a new proposition.

The CHAIRMAN. There are a good many coming out at this hearing.

Mr. MACK. I should say that the transportation company ought not to bear the expense simply because its train was late.

The CHAIRMAN. You are charged for some trains, are you not, if you are late beyond a certain period?

Mr. MACK. No, sir.

The CHAIRMAN. There is no such a case?

Mr. MACK. No, sir. We do not guarantee schedules, and it would be impossible to guarantee them in the operation of a railroad.

The CHAIRMAN. No compensation is based upon a guaranteed schedule within limitations?

Mr. MACK. No, sir. That class of service went out of commission with the special facility trains in the South about four or five years ago.

12. The railroads are required to carry the mails between the station and the terminal post office on routes where required by the Post Office Department, receiving therefor the same rate per mile as paid on the particular railroad route. This frequently is trivial compared to the cost of the service.

This terminal service is not restricted to a distance of 80 rods, as with side service, but covers a distance as much as 1.06 miles on my routes, with a very considerable proportion of them beyond 80 rods The distance may be greater in the case of other lines.

The following will illustrate the earnings for such terminal service and the cost to the companies performing it, in a number of cases:

| | Terminal distance. | Earnings per annum. | Cost per annum. |
|---|---|---|---|
| | *Miles.* | | |
| Alexandria, La | 0.59 | $35.81 | $450.00 |
| Helena, Ark | .52 | 32.01 | 360.00 |
| Womble, Ark | .54 | 38.31 | 240.00 |
| Joplin, Mo | .62 | 94.35 | 450.00 |
| Silverton, Colo | .47 | 29.72 | 360.00 |
| Crested Butte, Colo | .50 | 21.37 | 180.00 |
| Aspen, Colo | .14 | 21.37 | 250.00 |
| Grand Junction, Colo | .37 | 113.87 | 600.00 |
| Gatesville, Tex | .82 | 64.50 | 360.00 |

The L. & N. have the following special examples:

| | Terminal distance. | Earnings per annum. | Cost per annum. |
|---|---|---|---|
| | *Miles.* | | |
| Pensacola, Fla | 0.73 | $175.75 | $900.00 |
| Columbia, Tenn | .60 | 44.12 | 120.00 |
| Gallatin, Tenn | .39 | 20.30 | 180.00 |

In fact, terminal messenger service is not an incident of station work on any of our routes, which are 50 miles or less in length, as on every one of such routes the company is obliged to make contract terminal arrangements at either one or both ends of such routes.

There are a good many cases on the shorter routes also where the terminal service exceeds in cost the entire mail earnings, or nearly so, as the following will illustrate:

| Route. | Length. | Annual mail pay. | Terminal service costs per annum. |
|---|---|---|---|
| | *Miles.* | | |
| 145031. Marshall Junction to Marshall | 2.03 | $118.02 | $120.00 |
| 145049. Mineral Point to Potosi | 3.96 | 192.97 | 240.00 |
| 145085. Lake Junction to Creve Couer | 8.60 | 367.65 | 120.00 |
| 150026. Georgetown to Round Rock | 10.37 | 531.98 | 144.00 |
| 165030. Colorado Springs to Manitou | 5.55 | 294.20 | 180.00 |
| 155071. Hoisington to Great Bend | 10.43 | 588.56 | 120.00 |
| 149042. Natchez to Incline | 3.08 | 284.40 | 300.00 |

Here it will be seen is a distinct hardship, which applies with particular force to independent short line railroads, and concerning which I have no doubt testimony of the short lines will develop.

The foregoing will enable the commission to more fully understand the messenger service as required of the railroads by the Post Office Department.

The illustrations given are those on lines with which I am associated, but which may be considered as fairly representative of general conditions throughout the country, and I hope the information will be of advantage in the commission's study of this question.

The CHAIRMAN. That is very interesting and illuminating. Is it your contention that the railroads should be relieved entirely from the side service, or that they should receive compensation for side service performed?

Mr. MACK. The suggestion of the railroads is, as a measure of relief, that they be paid for an annual weighing and——

The CHAIRMAN. My question refers now to the side service. Should you be relieved of it entirely, or should you be compensated for it?

Mr. MACK. I should say that we should be relieved of it or compensated for it on some agreed basis.

The CHAIRMAN. If compensated for it, should you be repaid the expense that you are put to because of the service rendered?

Mr. MACK. I should think that would afford very considerable relief to the railroads and at the same time be very moderate in its cost to the department.

The CHAIRMAN. That is the point I wanted to draw out.

Mr. MACK. However, it would not compensate the railroads for the service which they perform without specific cost, and that ought not to be treated as a service of no value to the department.

The CHAIRMAN. In other words, taking the Missouri Pacific as a concrete case, your first point would be that if the Missouri Pacific performed the side service it should receive as indirect pay or compensation the $25,000 to $30,000 that it costs the Missouri Pacific additional for performing that service, in the way of additional employees?

Mr. MACK. Yes, sir.

The CHAIRMAN. With an adjusted compensation for the nonsegregated expense on the part of the Missouri Pacific for whatever part of the other employee's time went for that particular service.

Mr. MACK. I should think that would be a very reasonable adjustment for the messenger service at the stations.

The CHAIRMAN. But is the position of the railroads, as you understand it, that they should be relieved entirely of the side service, or do the railroads contend that they should receive compensation for that service which, from their viewpoint they have no allowance for now under the present method of adjustment of railway mail pay?

Mr. MACK. I think the railroads would be glad to be relieved of the service.

The CHAIRMAN. Would not the railroads be glad to cooperate with the Government if under their operation of the service they could perform it much cheaper than the Government, as a distinct governmental activity?

Mr. MACK. I think in the adjustment of mail pay an agreement or understanding could be reached that would be satisfactory to the commission with regard to that question.

The CHAIRMAN. Do you think that is possible of solution so that you could arrive at what would be a fair compensation? The Missouri Pacific Road is receiving $2,500,000 out of $55,000,000 of the total railway mail pay, and the R. P. O. car, or $54,000,000. It costs you from $25,000 to $30,000 that, from your viewpoint, you receive no compensation for. It would amount to but a few hundred thousand dollars, as compared with the ex-Postmaster General's statement, where he, according to that statement you have read, estimated that it would cost the Government $3,400,000 to perform the same service. Is that correct?

Mr. MACK. The direct expense and the value of the service to the department are two separate things.

The CHAIRMAN. I appreciate that, but what I wanted to get at was whether the position of the transportation companies is that they should be relieved entirely from the side service, or whether they would be glad to perform that service with the cooperation on the part of the Government, on the assumption that they could perform it cheaper than the Government could, if they received compensation for the service rendered?

Mr. MACK. I think that that could be agreed to. I do not know that the railroads have considered that question definitely, but I think it would be agreed to.

The CHAIRMAN. Is not that a question? Here you have an apparent estimate, presented from some viewpoint, as though the railroads were underpaid $4,300,000. That is based, as I now infer, upon a report made by an ex-Postmaster General, and yet any information that we have before the commission on that particular subject is that it costs the Missouri Pacific from $25,000 to $30,000 additional for performing that service themselves instead of the Government performing it, and the Missouri Pacific receives $2,500,000 out of the $54,000,000, we will say, of the total railway mail pay and R. P. O. pay. Applying that information it would simply show that the railroads were only losing three or four hundred thousand dollars because of the side service.

Understand, I am not applying that because I believe myself that it would not be fair to all of the 795 different railroads with whom the Government has mail contracts to apply the experience of the Missouri Pacific. It simply shows the variety of viewpoints that must come up in the study of a subject of this magnitude, does it not?

Mr. MACK. It does.

The CHAIRMAN. And I think it would be most interesting and important to the committee to see whether the railroads' position was that they should be relieved entirely of the side service or receive a compensation for the side service on the basis of the additional cost to the transportation company for the service rendered, with a compensation that could be arrived at for the value of the cooperation.

Mr. LLOYD. Your company receives about one-twentieth part of that amount which is paid for carrying the mails.

Mr. MACK. We receive about one-twentieth; yes.

Mr. LLOYD. It costs you, as you say, between $25,000 and $30,000 to perform this extra side service. It would cost the Government,

according to the estimate of the Postmaster General, $4,300,000; that is, to perform the whole service in the United States. If it cost just its proportional part to render the service as rendered by your road it would cost the Government $215,000. That is one-twentieth part of $4,300,000. Now, it has cost you $25,000, whereas the same service would cost the Government $215,000 if the Postmaster-General in his statement is correct.

Mr. MACK. I can not say what it would cost the Government, but those are the figures which have been submitted.

Mr. LLOYD. What I am trying to get at is a concrete statement. If we take it for granted the Postmaster General's was a correct ascertainment that it would cost the Government $4,300,000 to render this service and it would cost you the one-twentieth part to perform the service on your road, it would cost the Government $215,000 to perform the service on your road; yet according to your statement it has only cost you a little over $25,000 to perform that service which would cost the Government $215,000. That is the most accurate statement that we have had in connection with anything concerning the side service.

Mr. MACK. That is true as to the direct cost. The two figures do not represent the same thing. The $25,000 represents the service where we pay for it. The $215,000 would provide for the service at all of the stations on our line where we do not——

Mr. LLOYD. You are one of the best posted men on railway mail pay that I know anything about. I want to ask you this question: What, in your judgment, is the comparison between the two, that service which costs you actually $25,000 and that which it costs you in connection with other service? Which of the two is the greater?

Mr. MACK. I do not get the point.

Mr. LLOYD. Does it cost you more for the service that is rendered in this side way by those who perform other service, or does it cost you more for that which is rendered in specific service for which you pay $25,000?

Mr. MACK. The cost of the service incidentally rendered we have no figures upon.

Mr. LLOYD. With your general knowledge, do you think it would cost as much as that which you actually spend for the specific service?

Mr. MACK. It would be merely an estimate.

Mr. LLOYD. I know it would, but your estimate is one of the best I know of that we could get.

Mr. MACK. It would be based upon a division of the time of the station employee engaged in handling the mails. We have those figures, and we gave that information in one of the reports to the Post Office Department.

Mr. LLOYD. Haven't you a copy of it?

Mr. MACK. I have, but I haven't the summary. I will put it in the record.

Mr. LLOYD. I wish you would. That will help us reach a basis in connection with it. The trouble is with all this we do not get anything on which to stand as a basis. You have given us a basis on your road of what it will actually cost you. Now, if you can give us an estimate of the basis of what it will cost you for the service performed partly by the railroad and partly by the Government, then

you have on your railroad a practical, complete expenditure for this side service. Then if we can ascertain what it would cost the Government to perform that side service, we can take the difference between what it cost you and the Government and make the ascertainment the chairman has undertaken to find out, and I believe from you we are going to get those figures.

Mr. MACK. Of course it is going to be considered, as I said in the outset, that in the department's calculations of cost, by which they arrived at their figures of $9,000,000, that this service was not calculated——

Mr. LLOYD. I understand that, but I am going at this in connection with Mr. Meyer's statement, taking that as a correct basis that it would cost the Government $4,300,000, and now we want the facts as to what it would cost the railroads.

The CHAIRMAN. I think we should put in the record that the point is simply a computation and not a definite ascertainment.

Mr. LLOYD. Certainly; I did not accept it as true.

Mr. MACK. Mr. Stewart testified the other day that it was approximately $4,000,000.

Mr. LLOYD. Mr. Peters's statement is based upon the theory that that is probably the most accurate statement we have.

The CHAIRMAN. As I remember Mr. Peters's testimony, he said he figured that it would cost about $1,000,000.

Mr. MACK. There may not be a great deal of difficulty in furnishing the committee at its next meeting with some satisfactory information as to the direct cost and as to the estimated cost.

Mr. LLOYD. Have you any special information that you can give us on the question of space as the determining factor? If so, we would like to have it.

Mr. MACK. That is, space as compared with weight?

Mr. LLOYD. Space as a determining factor, rather than weight.

Mr. MACK. I have some views on that subject, Mr. Lloyd, but I thought the investigation was taking a turn with a view of developing conditions in car-foot miles.

Mr. LLOYD. Would you rather submit that later?

Mr. MACK. I think it would be more appropriate later, if agreeable to the committee.

Mr. LLOYD. I am anxious for Mr. Mack now or some time to give us all of the information that he has in connection with every branch of this whole question. Where he has investigated it I am sure his information will be very illuminating.

The CHAIRMAN. Mr. Peters, as the chairman of the Railway Mail Association I would ask you on behalf of the committee if you will designate a committee of three to confer with a similar committee of three, to be appointed by the Second Assistant Postmaster General, Mr. Stewart, as representing the department, to take up what is known as Document No. 105, and determine what the difference is between your representatives and the departmental representatives, whereby upon the same figures, which, as I understand, were the returns rendered by the transportation companies to the department in respect to specific questions, you reached the conclusion that the railroads received from the mail 3.23 mills per car-foot mile and from other service 4.35 mills per car-foot mile, while the department reached the

conclusion that you received from the mail 4.14 mills per car-foot mile and 4.16 mills from other service. Also to take up the extract from ex-Postmaster General Vilas's statement, as appears in the Postmaster General's report of the year 1887, referring to the R. P. O. car and make comments in reference to that statement and furnish the result of the conference between your respective committees to this commission now sitting within the next two weeks if possible.

Mr. PETERS. We will be very glad to do that, but we think it will take from two to three weeks. It will be done as quickly as possible, and we will appoint Mr. Mack, Mr. Bradley, and Mr. Plant, the comptroller of the Southern Railway. I think Mr. Plant will be glad to serve, and he is an expert accountant and the head of the American Association of Railway Accountants.

The CHAIRMAN. We are very much obliged, Mr. Mack.

## STATEMENT OF MR. S. C. SCOTT.

The CHAIRMAN. Mr. Scott, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your name, age, residence, and occupation.

Mr. SCOTT. My name is S. C. Scott. I am assistant to the first vice president of the Pennsylvania Lines West of Pittsburgh. My residence is Pittsburgh, Pa. I am 59 years of age. I have been in the service of the Pennsylvania Lines for something over 31 years. Mr. Chairman, I have written out what I have to say, because I have had no experience in testifying before committees, and I am liable to forget things unless I have the information in front of me. With reference to what I have prepared, a considerable part of it is statistical, and with your permission I will summarize the figures as briefly as possible. (See tables at the end of Mr. Scott's statement.)

In compliance with the request of the chairman and Mr. Weeks, I beg to submit the following statements which are attached hereto:

First. Statement C, which shows for the Pennsylvania Lines West of Pittsburgh the miles of road, pounds of mail per day, tons per day over the route, ton-miles per annum, and the gross earnings and average ton-mile earnings from weight and from R. P. O. car space and the total, now in effect.

In several of the statements, to which your attention is called, comparison is made with similar data submitted by Mr. James McCrea, under date of December 30, 1898, to the Special Committee on Postal Service, of which Hon. E. O. Wolcott was chairman. There was no special reason for selecting the year 1897 for comparison, except that it was the only period for which similar data was available.

Second. Statement C–1 gives the same character of information as Statement C for the year 1911 compared with 1897, except that in order to get on a comparative basis, only such routes are shown as were included in the Pennsylvania Lines in 1897.

The CHAIRMAN. Are these routes selected with a view to making these statements?

Mr. SCOTT. They are selected with a view to showing the results on the so-called lines of dense mail traffic.

In connection with this statement, attention is called to the fact that with a decrease of 2.03 per cent in miles of road operated there is an increase of 114.4 per cent in the number of tons over the route; 109.9 per cent in the tons hauled 1 mile; 67.2 per cent in pay for weight carried, with a decrease of 7.6 per cent in the pay for R. P. O. car space. The average earnings per ton per mile for weight carried has fallen from 8.05 cents to 6.41 cents, or 20.4 per cent; the rate per ton per mile from pay for R. P. O. cars from 2.31 cents to 1.01 cents, or 56.3 per cent, and the total from 10.36 cents to 7.42 cents, or 28.4 per cent.

Third. Statement D shows a comparison of the mail operations and receipts in 1897 and 1911 between Pittsburgh and St. Louis.

Briefly this statement discloses that for transporting a postal car costing, approximately $12,000, with 2.94 tons of mail, at a speed of over 35 miles per hour, the railroad company received 3.19 mills per ton per mile for the gross weight of the car and its load; while for a freight car costing, say, $950, with 18.12 tons of lading, moved at an average speed of 11 miles per hour, the company received 3.16 mills per ton-mile. In the case of the mails we haul 20.6 tons of dead weight for each ton of mail, while for freight we only haul 1.06 tons of dead weight for each ton of freight.

The CHAIRMAN. What is the total tonnage capacity of that car, if fully occupied with mail?

Mr. SCOTT. I should say about 15 tons.

The CHAIRMAN. Then the loss of carrying space falls on whom, the railroad or the Government, under the present method of computation?

Mr. SCOTT. I think the railroad.

On this line the tons carried 1 mile increased 90.4 per cent and the pay for weight carried 72.7 per cent, while the pay for R. P. O. cars decreased a fraction less than 20 per cent. With an increase of 90.4 per cent in the ton-miles, there was an increase of only 28 per cent in the average load per car, which, on this main trunk line, still remains at the low average of 2.94 tons per car. The average earnings per car-mile were 20.80 cents.

Fourth. Statement E gives similar information and comparisons for the line between Pittsburgh and Chicago.

On this line the receipts for hauling a mail car and its lading is only 2.83 mills per ton per mile, as against 3.06 mills per ton per mile for a freight car and its lading, while the average mail-car load has falled from 2.80 to 2.59 tons, and the earnings from mail per car-mile have decreased from 26.1 cents to 17.89 cents; all this with the same differences as to the cost of the cars and the speed of movement. Dead weight per ton of mail is 23.4 tons, as against 1.04 tons for a ton of freight.

It costs just as much to haul an empty car as it does a loaded car.

The CHAIRMAN. It costs you just as much to haul a car empty with a capacity of 60 tons as it does if it was loaded?

Mr. SCOTT. Probably I did not say that right. It costs just as much to haul a ton of car as it does to haul a ton of freight.

The CHAIRMAN. In that connection, does it? You mean the power?

Mr. SCOTT. Yes; I mean the operations of a railroad are all reflected in the movement of the train.

The CHAIRMAN. That statement of yours is simply applicable to power. It would not be applicable to operating expenses.

Mr. SCOTT. Only in a general way.

Fifth. Statement K covers the line from New York to St. Louis and gives like data and comparisons.

Here again the ton mileage has increased over 97 per cent, the pay for weight 75.9 per cent, and the pay for R. P. O. cars shows a decrease of 8.2 per cent.

The receipts per car-mile are 22.54 cents for both weight and space; the receipts per ton-mile for mail car and lading are 3.51 mills, while for freight cars and lading the earnings per ton per mile are 3.23 mills. While the total mail traffic as represented by the ton mileage has increased over 97 per cent, as stated above, the average load per car has only increased 21.4 per cent, and at the last weighing was only 3.52 tons per car. On this through line the dead weight per ton of mail is 17.2 tons, while for freight it is only 0.77 of a ton.

The latest available figures covering the mileage of cars in passenger trains are those of the Interstate Commerce Commission, shown on page 66 of Railway Statistics of the United States (1910) for the year ending June 30, as follows:

| | |
|---|---|
| Passenger-car miles | 1,420,353,329 |
| Sleeping, parlor, and observation car miles | 628,244,180 |
| Other passenger-train car miles | 949,572,994 |
| Total | 2,998,170,503 |

On page 510 of the same report we find that the total earnings from all traffic carried on passenger trains during the same period were $764,773,354, and a simple matter of division of the former into the latter shows that the average earnings of all cars moved in passenger trains in that year, both loaded and empty, were 25.51 cents per car-mile.

It has been shown in Statement D that for mail cars between Pittsburgh and St. Louis, the earnings per mail-car mile are 20.32 cents; on Statement E that the earnings per mail-car mile between Pittsburgh and Chicago are 17.89 cents, and in Statement K that the earnings per mail-car mile between New York and St. Louis are 22.54 cents, in each case well below the average earnings of all kinds of cars carried in passenger trains.

Certainly these statements do not seem to offer any convincing proof of overpayment on the so-called lines of dense mail traffic; on the contrary do they not point rather to the impracticability of securing any substantial increase in the loading of mail cars and the consequent inability upon the part of the railways to make effective those economies in the movement of mail traffic that are readily accomplished with increase in the volume of all other kinds of traffic.

In passing, I would like to say a few words concerning two mail trains which, for the distance traveled, are probably the fastest in the world. They are trains Nos. 11 and 45 between New York and St. Louis over the Pennsylvania lines and are scheduled to make the run of 1,060 miles in 23 hours and 55 minutes, or at the rate of over 44 miles per hour.

The following statement shows some of the changed conditions that have taken place:

| Train No. 11. | 1912 | 1897 |
|---|---|---|
| Number of cars | 6 | 6 |
| Character of materials | Steel. | Wood. |
| Length of cars in train.....feet.. | 400 | 350 |
| Weight of cars.....tons.. | 338 | 227 |
| Weight of locomotive.....do.... | 221 | 90 |
| Weight of train.....do.... | 559 | 317 |
| Weight of mail in train.....do.... | 27 | 21 |
| Dead weight per ton of mail.....do.... | 20.7 | 15.1 |

Train No. 45 has been in commission since March 26, 1911, and is of practically the same make-up as No. 11, but carries about 30 tons of mail, and the dead weight per ton of mail is about 18.6 tons instead of 20.7 tons.

Because of their fast schedules these two trains overtake and pass around a large number of trains traveling in the same direction and meet and pass many opposing trains on single track. In all such cases the other trains are delayed from 20 minutes to 1 hour, and it is estimated that these two trains each cause delays to other trains that in the aggregate equals the total time which they consume in running from New York to St. Louis.

While we have no figures as to expense other than average cost per train mile, it is beyond all question that the cost of running these trains is greatly in excess of any average figures.

The following shows the preponderance of mail movement in one direction over the other:

| Between— | Weighing. | West. | East. |
|---|---|---|---|
| | | *Per cent.* | *Per cent.* |
| New York and Philadelphia | Spring, 1909... | 71.90 | 28.10 |
| Philadelphia and Pittsburgh | ....do..... | 78.37 | 21.63 |
| Pittsburgh and Chicago | Spring, 1911... | 66.79 | 33.21 |
| Do | Fall, 1911..... | 62.94 | 37.06 |
| Pittsburgh and Columbus | Spring, 1911... | 83.42 | 16.58 |
| Do | Fall, 1911..... | 78.92 | 21.08 |
| Columbus and Cincinnati | Spring, 1911... | 72.50 | 27.50 |
| Do | Fall, 1911..... | 74.35 | 25.65 |
| Indianapolis and St. Louis | Spring, 1911... | 88.57 | 11.43 |
| Do | Fall, 1911..... | 86.15 | 13.82 |
| Mackinaw and Richmond | Spring, 1911... | [1] 76.62 | [2] 23.38 |

[1] North. [2] South.

It will be noticed on the Fort Wayne route between Pittsburgh and Chicago that they have the largest per cent of the movement eastbound, being 37 per cent, while between Indianapolis and St. Louis the eastbound movement was less than 14 per cent.

Under such conditions of traffic the empty haul becomes a factor of large import in determining the profitableness or unprofitableness of the mails even on the lines of greatest density, and trains like Nos. 11 and 45 should earn sufficient in one direction to compensate for the almost entire absence of earnings in the other.

I have been asked by Mr. Peters to reply to Mr. Weeks's inquiry as to the practicability of the Post Office Department segregating the

through from the local mails and asking for bids for handling the through mails as a distinctive movement, between, for instance, New York and St. Louis, and it seems to me the answer depends primarily upon the question as to whether there is a sufficiently large volume of distinctly New York-St. Louis mail to justify its being withdrawn from the regular service and handled independently.

The CHAIRMAN. But would it be withdrawn from the service and handled independently upon Mr. Weeks's question?

Mr. SCOTT. It was my understanding of Mr. Weeks's question that he proposed to take the New York-St. Louis and New York-Chicago mail that was destined to go through and handle it in solid cars from one point to another.

The CHAIRMAN. That is the through mail, to see whether there could not be a separation of that, and put into competition with the various competitive lines traveling over that route.

Mr. SCOTT. Over all of the roads between New York and St. Louis.

As to this I am wholly unable to say. We all know that there is a very large volume of mail leaving New York for St. Louis each day by the Pennsylvania lines. On the four principal mail trains, it is approximately as follows:

| Train. | Leave New York. | Weight of Mail. | Train. | Arrive St. Louis. | Weight of Mail. |
|---|---|---|---|---|---|
| | | *Pounds.* | | | *Pounds.* |
| No. 25 | 8.25 a. m. | 25,000 | No. 13 | 8.30 a. m. | 15,847 |
| No. 45 | 6.30 p. m. | 50,000 | No. 45 | 5.25 p. m. | 49,946 |
| No. 1019 | 9.30 p. m. | 57,000 | No. 11 | 1.45 a. m. | 48,081 |
| No. 11 | 2.50 a. m. | 65,000 | | | |
| Total | | 197,000 | Total | | 113,874 |

The CHAIRMAN. Is this all the mail that is handled between New York and St. Louis, or just the mail that is handled by your system?

Mr. SCOTT. We haul most of the mail between New York and St. Louis.

The CHAIRMAN. Does that represent all of the mail or only what you haul?

Mr. SCOTT. That represents only the mail handled on those four trains.

The CHAIRMAN. And not all of your trains?

Mr. SCOTT. No, sir.

Of course these figures refer to the average amount of mail carried over the route, but the 197,000 pounds leaving New York begins to dissipate almost from the moment it starts and a very large part of the mail going into St. Louis did not start from New York at all. A large mail leaving New York City in these trains is destined to Trenton, Philadelphia, and intermediate points, and some of it to points south of Philadelphia; while they receive at Philadelphia a very large mail for points west as far as the Pacific coast, as well as receiving and delivering mails at almost every station between New York and St. Louis.

So far as I know, there are no single cars regularly loaded solid at New York and carried through to St. Louis on these trains, but mail for different States is loaded into and taken out of the different cars at all of the principal stations en route.

At the last reweighing the Pennsylvania Lines carried between Indianapolis and St. Louis a daily average of 145,657 pounds. Of this almost 14 per cent or, say, 20,000 pounds moved eastbound, and of the remaining 125,000 pounds it would be a very broad assumption to say that half of this came from New York—I should guess 25 per cent or less—but if we have 62,500 pounds per day New York to St. Louis, it could easily be loaded into two cars, and no two cars of mail would justify a special train from New York to St. Louis, so that the only thing the Post Office Department could do would be to put them on some of the existing trains—which they can do now; however, if this amount of mail was taken from the existing two exclusive mail trains, the amount remaining certainly would not justify the continuance of both of them, and, unless the whole quantity was taken from one of these two trains and the other left as it now is, the company could not reasonably be expected to run either of them.

The CHAIRMAN. Then, as I understand, the suggestion made by Mr. Weeks would not be capable of being put into operation.

Mr. SCOTT. Of course this is a new question for me and I am only expressing the views that have occurred to me in the matter. I should think they would not. That will develop as we go on, though.

Then comes the question of the local service, the cost of which probably could not be proportionately reduced. We all know that it takes almost as much space to make separations for 1 ton of mail as for 2 tons, and separate dispatches of mails would have to be made from many local points on pouches made up on trains for St. Louis and points west that are now included in the through pouches.

As I understand the theory of mail handling on postal cars, it contemplates a gradual but steady broadening of the scope of separations as the mails approach their final destination. For instance, the clerks on west-bound mail trains leaving New York, Philadelphia, Washington, and other large mail-producing centers, concentrate their efforts first on mail to be dispatched at nearby points and the making up of pouches for connections or for return on trains in opposite directions; later, they take up city distribution for some of the more important cities served by their particular train; then separations for purposes of expediting dispatches on immediate connections, and, finally, separations for nearby States via different connections from large terminals like Chicago, St. Louis, Kansas City, Omaha, and St. Paul. At all times from the departure of the train from the initial point there are pouches and sacks on the racks into which mails picked up en route are being consolidated for final distribution in Kansas, Colorado, Arizona, New Mexico, California, Utah, the Dakotas, Oregon, and Washington, etc. Mail from New York and Philadelphia and other points in the East destined to these far western States is not handled on the trains between New York and St. Louis or New York and Chicago, except to the extent referred to above.

I am speaking with reference to our own line. I do not know what the New York Central does in this matter.

On the contrary, mails from the far West as well as the local mails, must be assorted on the east-bound trains for final despatch.

This being the situation, we will assume that a certain volume of mail for Chicago and points beyond is awarded to, say, the Erie Rail-

road Co., to be handled in solid car or train loads. There would be no necessity for the handling of these mails en route, and consequently no clerical force, but there would still remain on the New York Central Lines all of the mail traffic from the New England States and that to and from the large cities and contiguous territory which it serves, requiring a force of clerks and car space almost if not fully equal to that now used. Obviously there could be no concentration of the east-bound movement of through mails, because at Chicago and St. Louis these mails have reached points from which distribution for final dispatch must be made and to a large extent they become local to the line over which they are routed.

Even if it were practicable to concentrate any considerable quantity on the Erie Railroad, it would be necessary to organize a force of clerks for distribution purposes, while ample facilities are already available on the various local lines.

As I see it, the Erie Railroad Co. could only afford to carry this mail at a rate that would compensate it for the movement in both directions, and the Post Office Department could not make a reduction in its expenses on the local lines at all proportionate to the reduced weight while the weight remaining on the local lines would, under the existing law, take a considerably higher rate than it does now.

It must be remembered that so far as the weight is concerned, all of the mail between New York and St. Louis, and a great deal more, could easily be handled on one train per day, but a train so loaded would not permit any work being done on it.

The CHAIRMAN. In that connection you mean so far as the weight is concerned the car has the carrying capacity for all of the mail, but it would not enable them to have the space to work the mail in the car.

Mr. SCOTT. That is the idea.

If any substantial part of this mail was to be consolidated on one train, a special movement would be necessary in order to make the connection at St. Louis; but it seems to me that such an arrangement would inevitably result in a discontinuance of some of the existing fast mail trains, and while it would no doubt give a very satisfactory service for New York, would result in seriously retarding the mails from all intermediate points destined to the territory west of St. Louis. It is hardly possible for any person, looking at this proposition from one side only, to do more than speculate as to the outcome. As it appears to me, it would revolutionize the whole mail traffic proposition, and if a service equal to that now in effect is given to all localities, I can not see how any important economies to the Post Office Department can be accomplished.

The question has been raised before this committee as to whether or not a railroad company carrying mail for the General Government was entitled to receive the same rate of return on that part of its capital representing property used in the performance of such service as it receives for that part of its capital invested in freight facilities, etc., and it has been suggested that there is some vague, illusive, and indescribable relation existing between the railroads and the Government by reason of which the former are called upon to perform a service rendered the Government for some price less than it would do the same service for individuals.

A service for the Government is a service for the people. The people have a right to conduct any service in any way that they may deem best. Take the Post Office Department, for instance. The function of free communication between all parts of the country is a matter of such vital importance to the people individually and collectively that the element of cost has to a large extent been lost sight of. In no other country in the world is there a postal service so complete in all its details. It is true the newspapers talk about deficits semiperiodically, and once in a while we have heard of a surplus; but does anyone know of a single citizen in the whole country who is willing to forego any of the conveniencies he now enjoys in order to make the Post Office Department self-sustaining? I think not. Now, if the people want this kind of service, ought not the people—the whole people—to pay the bill?

The men who operate the railroads of the United States do not own them. I think it would be a very great surprise if it could be known how little of them they do own. They are simply employed for a special kind of work, and the people who employ them—the stockholders of the railroads—are plain, simple citizens of the United States, and to my mind are no more called upon to devote any part of their property to the service of the people at less than cost than should stockholders in banks, steel mills, furniture factories, or for that matter, farmers.

The great reason why a railroad is looked upon as being under some special obligation to the Government—that is, some obligation different from that of a steel corporation or a coal company or a farmer, if you will—is that it gets with its charter the "right of eminent domain."

Now, this simply means that in order that the building of a railroad might not be stopped by someone who owned, or had bought for the purpose, a piece of property needed by the railroad, and for which an unreasonable or exorbitant price was being demanded, the State says to the railroad company, "You can have this property appraised and take what you need by paying its full value"; that is all there is to it. Supposing the people had not wanted railroads built or had not cared whether they were built or not, do you think they would have given the railroads any such right? Now, so far as I know, this is the only difference in the relationship between railroad corporations and the Government and any other corporation and the Government, and it is the only ground that I am aware of upon which to base the proposition that the railroads should perform a governmental service at a less rate than it gives the public.

The CHAIRMAN. You do not think there is anything in the protection due to the carriage of the mails or noninterference with the carriage of the mails?

Mr. SCOTT. In the case of a strike, I would say yes. Otherwise, I think the protection is the same that the Government gives to other corporations.

We are before you, gentlemen, in order to protect the revenues of the companies which we represent, and I want to say that the railroad officials of the country generally look upon the existing conditions with the utmost apprehension. Comparing the year 1912 with the year 1909, the operating revenues increased $433,174,027, or 16

per cent, but the net operating income, after paying taxes, only increased $7,180,844, or 0.88 per cent. Taxes increased $32,946,125, or 35 per cent. Rates, both passenger and freight, have for many years been stationary or in a downward scale, while expenses for both wages and materials are going up by leaps and bounds. We all recognize the right of the Government and the obligation of the Post Office Department to conduct its business in the most economical manner consistent with reasonable recognition of the rights of the railroads, and we are only here to ask for a fair and impartial decision upon the part of this committee and Congress as to the reasonableness of our contention.

The CHAIRMAN. The system with which you are connected is making extensions continuously, is it not?

Mr. SCOTT. Only in the way of building branch lines occasionally.

The CHAIRMAN. Take the Pennsylvania system, as a whole; in the determination as to whether they will extend or build any branch line or extend in any way any of their lines, do they take into calculation any railway-mail pay that they would receive from the Government?

Mr. SCOTT. I should think not.

The CHAIRMAN. It would not be considered?

Mr. SCOTT. I should think not.

The CHAIRMAN. Then is there anything in this viewpoint: The question continually comes up in my mind that the railway mail pay, from one phase, is a sort of by-product of transportation. You do not think that is sound?

Mr. SCOTT. I think it is to a certain extent, but we have always felt it ought to pay its fair proportion of the traffic movement.

The CHAIRMAN. Then to your mind there is absolutely no distinction, if I catch your idea, between mail compensation and compensation for ordinary transportation—that is, freight, passenger, or express—that they should all be dealt with exactly the same?

Mr. SCOTT. That is my general view. Of course we all recognize our obligation to move the mail and to give the service to the public, but as a matter of compensation we think it ought to be all on the same basis.

The CHAIRMAN. Do you not think you get an indirect benefit from the improvement in mail facilities in business in general? Is not all business founded and dependent on mail facilities and benefited by improved mail facilities?

Mr. SCOTT. I think I would answer that question by suggesting that business and the mail facilities are improved by the railroad facilities. I think they go jointly together. I do not see how you can separate them.

The CHAIRMAN. There is much force in that, but is there not an indirect benefit to the transportation companies in this extension incident to improved mail facilities because of the dependence that business has upon the method of intercommunication between citizens?

Mr. SCOTT. I think so; yes.

The CHAIRMAN. That does not apply to business ordinarily—that is, to freight and passenger business—or is there anything in that viewpoint, in your opinion?

Mr. SCOTT. I would hardly think it went that far, Senator.

The CHAIRMAN. Then the only difference that you make between freight, passenger, and express service and the mail is the difference that you have given in your statement and the protection of the Federal Government in the case of strikes?

Mr. SCOTT. Yes; I am speaking from the standpoint of the financial benefit to the company.

The CHAIRMAN. Has not the Pennsylvania Railroad done business at a very low cost, or even at cost, for the purpose of getting business from competitors heretofore?

Mr. SCOTT. I think all classes of corporations do some business for much less than cost when they are in competition.

The CHAIRMAN. Do they do it in cases where they are not in competition, but with the idea of building up business in general, and thereby indirectly receiving the compensation in the total gross receipts?

Mr. SCOTT. I think that has been done in the past more than it is done at present.

The CHAIRMAN. Due to the law and regulations?

Mr. SCOTT. Yes, sir.

The CHAIRMAN. Not because of a policy adopted by the railroads? I put that not assertively, but interrogatively.

Mr. SCOTT. I do not know that I could answer the question clearly. I do not know that I understand the drift of it. I think the railroad companies in the past had to develop certain industries on their lines, and before the existing regulations with regard to railroads, they used to give them advantages and benefits to enable them to prosper for the purpose of producing tonnage later on.

The CHAIRMAN. And you do not think the same principle would apply to the carriage of mail, because of the increase in business in general, and secondly, the increase in passenger and freight service incident to the benefit of improved mail facilities?

Mr. SCOTT. I should think that that was a joint and coordinate growth and benefit. There is one thing I would like to say with reference to the matter mentioned by Mr. Mack, and that is the question of the side deliveries. The Pennsylvania Lines paid out, or, as I recollect it, in connection with the statement to the Postmaster General, they made the statment that they paid out directly for delivery service over and above that performed by the joint employees $50,000 a year.

The CHAIRMAN. The Pennsylvania Co. receives how much per annum in all its systems of railway mail pay?

Mr. SCOTT. About $5,800,000.

Mr. LLOYD. That is nearly exactly in the same per cent.

Mr. SCOTT. Yes; the cash outlay for side and terminal service on our lines is almost exactly the same per cent of the grosss mail pay that it is on the Missouri Pacific. I think the railroads can perform that service much more cheaply than the Government directly, and I think the railroads would be perfectly willing to perform that service at direct cash cost plus a fair division of the expense where railroad employees perform the service without specific compensation.

The CHAIRMAN. Then, so far as your system is concerned, the side service would be eliminated, from your viewpoint, as a present injus-

tice to your company by the allowance of $50,000 and a fair apportionment and allotment for the postal service as performed by your employees, for which we make no direct outside payment. Have you any idea what that would amount to in dollars?

Mr. SCOTT. I have not.

Mr. LLOYD. What would be the method of ascertaining that?

Mr. SCOTT. I think the figures were given in the statement of November, 1909. I think that information was given in those statements. They are on file with the Post Office Department, and I have a copy of them at home.

Mr. LLOYD. You could get a copy and put that statement in the record.

Mr. SCOTT. Yes. You mean the statement I have just made?

Mr. LLOYD. The specific statement, in dollars, of your estimate of cost.

Mr. SCOTT. Yes; I think possibly Mr. Bradley can put it in with reference to the entire system. What I wanted to get before you gentlemen was this: That we do not believe that that messenger service will ever cost anything like $4,300,000, and while we want to be relieved of the legal responsibility under which we are now required to perform that service, we would be glad to cooperate with the Post Office Department in doing it in the most economical manner in which it can be done.

Mr. LLOYD. Could you not render this branch service much better than the Post Office Department, where the mail is taken to the station and must remain there to be placed on a night train, and where mail has to be received from a night train to be delivered to the post office in the morning? Your people can do that a great deal better than the Post Office Department, can they not?

Mr. SCOTT. I think we can, but we do not like to accept that responsibility, because if anybody comes in and steals the mail the Post Office Department fines us for not taking care of it.

The CHAIRMAN. In your system and method of accounts, do you show in addition to the receipts that you receive for railway mail pay and R. P. O. service, what the actual cost of the performance of that service is, so that you know whether you are making an actual loss or an actual profit, and the amount, whichever it may be?

Mr. SCOTT. Mr. Chairman, I do not think that there are any railroads who show in their accounts a direct charge for the mail business or the express business or the passenger business. All we have are average figures as to the average earnings and cost per passenger or the average earnings and cost per passenger train. In 1898, when Mr. McCrea made his statement, and at every other time that we have attempted to secure the information we have tried to do so by finding out what proportion of the space occupied on passenger trains was occupied by mail, passengers, and express, and that is all we have in regard to the cost.

Mr. LLOYD. Is it not true that every time you undertake to make an estimate of cost to yourselves, that you go right back to the space basis?

Mr. SCOTT. With reference to passenger service, yes.

Mr. LLOYD. Any service?

Mr. SCOTT. No; not for the freight service.

Mr. LLOYD. I am talking about the mail in connection with express and passenger service. For instance, take a passenger coach, a mail coach, and an express coach; in order to determine how much the mail should pay, you ascertain the space that is used for mail, the space that is used for passengers, and the space that is used for express.

Mr. SCOTT. Almost invariably, but some roads divide it on the basis of earnings.

Mr. LLOYD. Then why would you say that the same basis is not the proper method of determining what your compensation should be?

Mr. SCOTT. Mr. Lloyd, I do not know anything about the space basis. That is, I do not know anything about where it is going to lead us. If we could agree with the Postmaster General upon the percentages and upon a division of the expenses between passenger and freight service, I do not know but what this might work out very satisfactorily to the railroads.

Mr. LLOYD. Is not this true: The thing that has alarmed the railroads is the statement made by the Postmaster General that the space basis would result in a saving of $9,000,000?

Mr. SCOTT. Why, undoubtedly.

Mr. LLOYD. If that is true, you people would naturally be opposed to it because it would cut down your pay?

Mr. SCOTT. Undoubtedly.

Mr. LLOYD. Forgetting all about that, for the sake of argument, is it not true that, after all, every one of us must necessarily come back to the space basis to determine what should be the compensation?

Mr. SCOTT. I do not know any other way to do it.

Mr. LLOYD. Then there seems to be a difference of opinion among you gentlemen.

Mr. SCOTT. Pardon me, Mr. Chairman. I do not say that I am willing to take the space-cost basis as a basis for fixing the payment for mail pay; that is, the cost as a basis for fixing the payment. I do not think cost is a proper basis for fixing rates. I think the value of the service should be the basis of fixing rates.

Mr. LLOYD. Do you not, in making your freight rates, take into consideration the cost?

Mr. SCOTT. Mr. Chairman, the freight-rate proposition is a very old one, and in fixing rates to-day it is almost invariably adjusted on the basis of competitive rates. The rates were established many, many years ago, and the present rate structure is the development of everything since the railroads started.

Mr. LLOYD. Can it be improved upon?

Mr. SCOTT. I do not know of any way in which it could.

Mr. LLOYD. You think then that it has been solved?

Mr. SCOTT. I would no say that. I am not an expert rate man, but it seems to me it is wonderful the way the rate development of this country has progressed without any scientific basis for it, and that to-day it moves the traffic all over this country from one end to the other in the way that it does.

Mr. LLOYD. That is due to the development of the country and the necessity of the citizens requiring transportation, is it not?

Mr. SCOTT. No; it seems to me it is simply the development of those great laws of "supply and demand" and "competition."

Mr. LLOYD. Do you figue that the Pennsylvania system, or that portion of it with which you are connected, makes a profit or a loss on handling the mail?

Mr. SCOTT. The statement that we rendered to the Post Office Department, as I recollect it, would show that the Pennsylvania Lines West of Pittsburgh made $10,000 over their operating expenses and taxes.

Mr. LLOYD. What amount did they receive—that is, the whole system—$5,800,000?

Mr. SCOTT. Yes, sir.

Mr. LLOYD. That showed a profit over operating expenses and taxes of $10,000, with the receipt of $5,800,000, more than 10 per cent of the total railway mail pay and R. P. O. pay of the United States?

Mr. SCOTT. Yes.

Subsequently Mr. Scott furnished the committee the following explanatory statement:

There is a misunderstanding here due to the fact that in one case we have been speaking of the Pennsylvania lines west of Pittsburgh (about 4,900 miles), while in the other case the Pennsylvania system (about 10,000 miles) is referred to. The mail pay of the whole Pennsylvania system is in round figures $5,800,000 per annum. The statements submitted to the Post Office Department for the month of November, 1909, show that the lines west of Pittsburgh received about $10,500 for the month in excess of the actual operating expenses and taxes, while the line east of Pittsburgh received $39,500 less than it cost them for operating expenses and taxes, or for the entire system about $29,000 less than the actual operating expenses and taxes for November, 1909, or at the rate of $348,000 per annum.

Mr. LLOYD. From a dollar standpoint purely, eliminating any indirect benefit incident to the carrying of the mail, in the way of prestige with competing lines in the way of business development incident to the mail facility, would you rather continue carrying the mail at the present method of compensation or discontinue it? In other words, would you rather abrogate and throw up all your contracts?

Mr. SCOTT. I should say no, because we have our trains going over the road, and whatever we get on those trains over the operating cost and taxes, contributes something toward the fixed or overhead charges and we can afford to haul it rather than not take it at all.

Mr. LLOYD. Then the $10,000 profit over and above operating expenses and taxes would justify you in the continuance of the business, even under the present compensation that you receive, rather than surrender the contract?

Mr. SCOTT. I would not want to say from a dollars and cents standpoint that that justifies it, but we would not feel justified in giving that up.

Mr. LLOYD. I am eliminating that and dealing with it from a dollar standpoint only.

Mr. SCOTT. Answering that question in that way, I do not think the $10,000 would pay us (the Pennsylvania Lines West of Pittsburgh) for the expense, responsibility, and the extra service that we perform.

Mr. LLOYD. Viewing it from the cold standpoint of dollars and cents, would you rather not carry the mails at all than to receive the present compensation?

Mr. SCOTT. At only $10,000 over the actual cost; yes. From the dollars and cents standpoint, I would say yes.

Mr. LLOYD. If you did not carry the mails, viewing it solely from a dollars and cents standpoint, your competitors would. Would you not rather carry it than to have your competitors carry it?

Mr. SCOTT. I do not know that I would like to commit my company on this proposition. If you will let me give my own personal views, without committing my company, I would say this——

Mr. LLOYD. You are not committing anybody.

Mr. SCOTT. I have felt this way about it: I have believed that the railroad company that did not carry the mail, and could thus make its passenger schedules in order to accommodate its passengers, would be better off without the mail than with it. We take our passenger train into Cincinnati at 6.40 in the morning. Who in the world wants to get into Cincinnati at that time in the morning? We take our train into Chicago, from Cincinnati, at 7 o'clock in the morning, winter and summer. We fix the leaving time of our trains at New York to accommodate the mail in order to make the connections at St. Louis. My own personal opinion is that the railroad company that could eliminate the mails would afford so much better passenger service as to attract the passengers to its trains. That is merely a personal view of the matter.

The CHAIRMAN. To return, you say that the space is the sole determining factor in your passenger and express rates, and not weight?

Mr. SCOTT. No; we do not weigh the passengers, of course.

The CHAIRMAN. I understand that. But is not the rate you determine upon primarily based on the carrying capacity of the train and of the car, in the weight of material, rather than the space it has?

Mr. SCOTT. In fixing passenger and express rates?

The CHAIRMAN. Yes; do you not think that the carrying capacity is so many tons?

Mr. SCOTT. Oh, no. With reference to the passengers the capacity is the number of passengers that can be accommodated in a given train.

The CHAIRMAN. I understand that, but the rate is based on the carrying capacity in weight of the train, is it not?

Mr. SCOTT. Weight is the prime factor in fixing rates, because the principal activity of a railway consists in hauling weight, or trains, from one place to another.

The CHAIRMAN. Therefore, is not the fundamental basis on which all rates are founded weight and not space, and is not space supplemental in passenger and express service? I am not a traffic expert, you understand.

Mr. SCOTT. I am not either, and I do not know that I would like to answer that question categorically. The passenger rate situation is very much like the freight rate situation; it has grown up through a series of years, and our passenger rates to-day are not fixed by the railroad company any more, but they are fixed by law; they are not

a commercial proposition. We are not able to fix a passenger rate at what we think will be a compensatory rate.

The CHAIRMAN. Prior to legislation fixing the passenger rates, was not weight really the basic measure, and the space supplemental to the weight, namely, the carrying capacity in weight? Was not that the determining factor as to what the charge would be for the space occupied by the passenger or the express?

Mr. SCOTT. I do not think so, Mr. Chairman.

The CHAIRMAN. We thank you very much, Mr. Scott.

Following are the statistical tables mentioned at the beginning of Mr. Scott's statement:

## STATEMENT C.

| System. | Miles. | Total pounds per day. | Tons per day over route. | Ton mileage per annum. | Earnings. | | | Average earnings per ton per mile. | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Weight. | R.P.O. | Total. | Weight (cents). | R.P.O. (cents). | Total (cents). |
| Northwest system (includes central system) | 1,686.94 | 48,800 | 24.40 | 15,027,216 | $967,637.56 | $141,620.10 | $1,109,257.66 | 6.44 | 0.94 | 7.38 |
| Southwest system | 1,430.71 | 60,560 | 30.28 | 15,811,840 | 1,000,003.16 | 180,069.98 | 1,180,073.14 | 6.32 | 1.14 | 7.46 |
| Vandalia system | 812.12 | 43,760 | 21.88 | 6,486,798 | 422,263.60 | 56,931.90 | 479,195.50 | 6.51 | .88 | 7.39 |
| Grand Rapids & Indiana system | 547.64 | 6,740 | 3.37 | 673,839 | 87,599.92 | 5,849.00 | 93,448.92 | 13.00 | .87 | 13.87 |
| Total, all lines | 4,477.41 | 46,500 | 23.25 | 37,999,693 | 2,477,504.24 | 384,470.98 | 2,861,975.22 | 6.52 | 1.01 | 7.53 |

## STATEMENT C–1.

| System. | Miles. | Total pounds per day. | Tons per day over route. | Ton mileage per annum. | Earnings. | | | Average earnings per ton per mile. | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Weight. | R. P. O. | Total. | Weight (cents). | R. P. O. (cents). | Total (cents). |
| Northwest system: | | | | | | | | | | |
| 1912 | 1,057.17 | 76,480 | 38.24 | 14,756,282 | $901,729.01 | $140,981.42 | $1,042,710.43 | 6.11 | 0.95 | 7.06 |
| 1897 | 1,057.62 | 29,228 | 14.614 | 5,641,461 | 439,515.30 | 123,675.00 | 563,190.30 | 7.79 | 2.19 | 9.98 |
| Southwest system: | | | | | | | | | | |
| 1912 | 1,684.09 | 51,760 | 25.88 | 15,910,547 | 1,031,569.45 | 180,069.98 | 1,211,639.43 | 6.48 | 1.13 | 7.61 |
| 1897 | 1,700.33 | 26,757 | 13.378 | 8,302,660 | 660,268.13 | 196,341.00 | 856,609.13 | 7.95 | 2.36 | 10.31 |
| Vandalia system: | | | | | | | | | | |
| 1912 | 597.41 | 58,720 | 29.36 | 6,402,227 | 398,408.83 | 56,822.37 | 455,231.20 | 6.22 | .88 | 7.10 |
| 1897 | 647.76 | 31,604 | 15.802 | 3,736,105 | 282,744.39 | 95,436.00 | 378,180.39 | 7.57 | 2.53 | 10.10 |
| Grand Rapids & Indiana system: | | | | | | | | | | |
| 1912 | 547.64 | 6,740 | 3.37 | 673,839 | 87,599.92 | 5,849.00 | 93,448.92 | 13.00 | .87 | 13.87 |
| 1897 | 561.16 | 2,905 | 1.452 | 297,404 | 64,638.10 | ..... | 64,838.10 | 21.79 | ..... | 21.79 |
| Total, all lines: | | | | | | | | | | |
| 1912 | 3,886.31 | 53,220 | 26.61 | 37,742,895 | 2,419,307.21 | 383,722.77 | 2,803,029.98 | 6.41 | 1.01 | 7.42 |
| 1897 | 3,966.87 | 24,833 | 12.416 | 17,977,220 | 1,447,365.92 | 415,452.00 | 1,862,817.92 | 8.05 | 2.31 | 10.36 |

## STATEMENT D.

| No. | Routes. | Distance (miles). | Pounds and tons carried daily. | | Tons 1 mile per day. | Per cent carried in— | | | Average tons carried in postal cars daily. |
|---|---|---|---|---|---|---|---|---|---|
| | | | Pounds. | Tons. | | Baggage cars. | Apartment cars. | Postal cars. | |
| 131032 | Pittsburgh-Columbus: | | | | | | | | |
| | 1912 | 190.90 | 222,048 | 111.02 | 21,193.71 | 1.07 | 1.84 | 97.09 | 107.79 |
| | 1897 | 190.77 | 105,007 | 52.50 | 10,015.40 | .30 | .90 | 98.80 | 51.80 |
| [1]131015 | Columbus-Indianapolis: | | | | | | | | |
| | 1912 | 187.82 | 154,487 | 77.24 | 14,507.21 | 5.19 | 1.19 | 93.62 | 72.31 |
| | 1897 | 187.75 | 84,517 | 42.26 | 7,934.00 | 1.60 | .80 | 97.60 | 41.20 |
| 133002 | Indianapolis-East St. Louis: | | | | | | | | |
| | 1912 | 238.22 | 145,657 | 72.82 | 17,347.18 | 1.56 | 2.29 | 96.15 | 70.02 |
| | 1897 | 238.59 | 83,058 | 41.53 | 9,908.40 | .50 | .80 | 98.70 | 41.00 |
| | Pittsburgh-East St. Louis: | | | | | | | | |
| | 1912 | 616.94 | 171,982 | 85.99 | 53,048.10 | 2.43 | 1.77 | 95.80 | 82.38 |
| | 1897 | 617.11 | 88,667 | 44.33 | 27,857.80 | 1.00 | .90 | 98.10 | 43.50 |

| No. | Routes. | Number of postal cars in daily service. | | | Average carload in tons. | Compensation— | | | Annual postal-car mileage.[2] | Rate for car space per mile (cents). |
|---|---|---|---|---|---|---|---|---|---|---|
| | | R. P. O. (space paid for). | Storage (space not paid for). | Total. | | For weight of mail. | Rate per ton per mile (cents). | For car space. | | |
| 131032 | Pittsburgh–Columbus: | | | | | | | | | |
| | 1912 | 24 | 8 | 32 | 3.37 | $431,372.20 | 5.57 | $78,507.63 | 2,150,298 | 3.65 |
| | 1897 | 18 | 4 | 22 | 2.30 | 236,507.00 | 6.46 | 95,385.00 | 1,531,883 | 6.23 |
| 131015 | Columbus–Indianapolis: | | | | | | | | | |
| | 1912 | 20.9 | 8 | 28.9 | 2.50 | 354,110.00 | 6.04 | 63,371.27 | 1,870,481 | 3.39 |
| | 1897 | 14 | 4 | 18 | 2.30 | 191,508.00 | 6.61 | 57,169.00 | 1,233,517 | 4.63 |
| 133002 | Indianapolis–East St. Louis: | | | | | | | | | |
| | 1912 | 16 | 8 | 24 | 2.91 | 368,214.27 | 5.81 | 56,822.37 | 1,987,708 | 2.86 |
| | 1897 | 14 | 4 | 18 | 2.30 | 239,695.00 | 6.62 | 95,436.00 | 1,567,536 | 6.09 |
| | Pittsburgh–East St. Louis: | | | | | | | | | |
| | 1912 | 20 | 8 | 28 | 2.94 | 1,153,696.47 | 5.79 | 198,701.27 | 6,008,487 | 3.30 |
| | 1897 | 15 | 4 | 19 | 2.30 | 667,710.00 | 6.57 | 247,990.00 | 4,332,936 | 5.72 |

[1] Includes earnings and mileage of through trains run via Piqua and Dayton.

[2] Includes storage and deadhead mileage.

NOTE.—Figures in parentheses are for 1897.

Rate received per ton per mile, 5.79 cents (6.57 cents) × tons carried per car, 2.94 (2.30), + amount received for car space per car-mile, 3.30 cents (5.72 cents) = 20.32 cents (20.80 cents) received per car-mile.

Amount received per car-mile, 20.32 cents (20.80 cents) ÷ weight of car, 60.66 (41) tons, + weight of mail, 2.94 (2.30) tons = 3.19 (4.80) mills per ton-mile.

Average load per freight car, 18.12 (13) tons, × average rate per ton mile, 6.55 (6.30) mills = 11.87 cents (8.2 cents), amount received per freight car-mile.

Average amount received per freight car mile, 11.87 cents (8.2 cents), ÷ weight of car, 19.41 (13) tons, + weight of load, 18.12 (13) tons = 3.16 (3.20) mills per ton per mile.

Average speed mail carried, about 35.68 (35) miles per hour. Average speed freight carried, about 11 (11) miles per hour.

Average cost mail car, about $11,605 ($5,500). Average cost freight car, about $915 ($500).

## STATEMENT E.

| No. | Route. | Distance (miles.) | Pounds and tons carried daily. | | Tons 1 mile per day. | Per cent carried in— | | | Average tons carried in postal cars daily. |
|---|---|---|---|---|---|---|---|---|---|
| | | | Pounds. | Tons. | | Baggage cars. | Apartment cars. | Postal cars. | |
| 131002 | Pittsburgh–Chicago: | | | | | | | | |
| | 1912 | 468.43 | 164,584 | 82.29 | 38,547 | 1.55 | 7.78 | 90.67 | 74.61 |
| | 1897 | 468.63 | 60,425 | 30.20 | 14,153 | 2.00 | 4.00 | 94.00 | 28.40 |

| No. | Route. | Number of postal cars in daily service. | | | Average carload in tons. | Compensation— | | | Annual postal car mileage.[1] | Rate for car space per mile (cents). |
|---|---|---|---|---|---|---|---|---|---|---|
| | | R. P. O. (space paid for). | Storage (space not paid for). | Total. | | For weight of mail. | Rate per ton per mile (cents). | For car space. | | |
| 131002 | Pittsburgh–Chicago: | | | | | | | | | |
| | 1912 | [2] 16.75 | 12 | 28.75 | 2.59 | $809,489.19 | 5.75 | $138,861.17 | 4,622,979 | 3.00 |
| | 1897 | 10.00 | ..... | 10.00 | 2.80 | 354,903.00 | 6.86 | 117,157.00 | 1,710,500 | 6.85 |

[1] Includes storage and deadhead mileage.
[2] Chicago-Cincinnati cars running into and out of Chicago over route 131002 are not included.

NOTE.—Figures in parentheses are for 1897.
Rate received per ton per mile, 5.75 cents (6.86 cents), × tons carried per car, 2.59 (2.8), + car space per mile 3 (6.85) cents = 17.89 cents (26.1 cents) amount received per car per mile.
Amount received per car per mile, 17.89 cents (26.1 cents) + weight of car, 60.66 (41) tons + weight of mail, 2.59 (2.8) tons = 2.93 (6) mills per ton per mile.
Average load per freight car, 18.76 (13.6) tons × average weight 6.23 (6) mills = 11.69 (8.2) cents, amount received per freight car per mile.
Amount received per freight car mile 11.69 cents (8.2) cents + weight of car, 19.41 (13) tons + weight of load, 18.76 (13.6) tons = 3.06 (3.1) mills per ton per mile.
Average speed mail carried, about 35 (35) miles per hour. Average speed freight carried, 11 (11) miles per hour.
Average cost mail car, $11,605 ($5,500). Average cost freight car, $913.61 ($500).

## STATEMENT K.

| No. | Routes. | Distance (miles). | Pounds and tons carried daily. | | Tons 1 mile per day. | Per cent carried in— | | | Average tons carried in postal cars daily. |
|---|---|---|---|---|---|---|---|---|---|
| | | | Pounds. | Tons. | | Baggage cars. | Apartment cars. | Postal cars. | |
| 109004 | New York–Philadelphia: | | | | | | | | |
| | 1912 | 91.60 | 473,230 | 236.61 | 21,677.00 | 17.65 | 1.38 | 80.97 | 191.58 |
| | 1897 | 90.65 | 309,294 | 154.15 | 13,973.40 | 14.70 | 3.40 | 81.90 | 126.20 |
| 110001 | Philadelphia–Pittsburgh: | | | | | | | | |
| | 1912 | 349.02 | 411,345 | 205.67 | 71,783.00 | 6.99 | 3.25 | 89.76 | 184.61 |
| | 1897 | 353.80 | 183,876 | 91.93 | 32,525.10 | 5.10 | 3.10 | 91.80 | 84.40 |
| 131032 | Pittsburgh–Columbus: | | | | | | | | |
| | 1912 | 190.90 | 222,048 | 111.02 | 21,193.71 | 1.07 | 1.84 | 97.09 | 107.79 |
| | 1897 | 190.77 | 105,007 | 52.50 | 10,015.40 | .30 | .90 | 98.80 | 51.80 |
| [1]131015 | Columbus–Indianapolis: | | | | | | | | |
| | 1912 | 187.82 | 154,487 | 77.24 | 14,507.21 | 5.19 | 1.19 | 93.62 | 72.31 |
| | 1897 | 187.75 | 84,517 | 42.26 | 7,934.00 | 1.60 | .80 | 97.60 | 41.20 |
| 133002 | Indianapolis–East St. Louis: | | | | | | | | |
| | 1912 | 238.22 | 145,657 | 72.82 | 17,347.18 | 1.56 | 2.29 | 96.15 | 70.02 |
| | 1897 | 238.59 | 83,058 | 41.53 | 9,908.40 | .50 | .80 | 98.70 | 41.00 |
| | New York–East St. Louis: | | | | | | | | |
| | 1912 | 1,057.56 | 277,070 | 138.53 | 146,508.10 | 8.88 | 2.07 | 89.05 | 123.36 |
| | 1897 | 1,061.56 | 140,184 | 70.00 | 74,356.30 | 5.40 | 2.20 | 92.40 | 64.70 |

[1] Includes earnings and mileage of through trains run via Piqua and Dayton.

STATEMENT K—Continued.

| No. | Routes. | Number of postal cars in daily service. | | | Average carload in tons. | Compensation— | | | Annual postal car mileage.[1] | Rate for car space per mile (cents). |
|---|---|---|---|---|---|---|---|---|---|---|
| | | R. P. O. (space paid for). | Storage (space not paid for). | Total. | | For weight of mail. | Rate per ton per mile (cents). | For car space. | | |
| 109004 | New York–Philadelphia: | | | | | | | | | |
| | 1912 | 36 | 18 | 54 | 3.55 | $430,249.77 | 5.40 | $61,716.98 | 2,030,310 | 3.04 |
| | 1897 | 30 | 6 | 36 | 3.50 | 310,256.00 | 6.06 | 60,314.00 | 1,191,141 | 5.06 |
| 110001 | Philadelphia–Pittsburgh: | | | | | | | | | |
| | 1912 | 28 | 15 | 43 | 4.29 | 1,431,543.92 | 5.50 | 171,708.57 | 6,843,828 | 2.51 |
| | 1897 | 18 | 6 | 24 | 3.50 | 736,587.00 | 6.20 | 159,210.00 | 3,099,288 | 5.14 |
| 131032 | Pittsburgh–Columbus: | | | | | | | | | |
| | 1912 | 24 | 8 | 32 | 3.37 | 431,372.20 | 5.57 | 78,507.63 | 2,150,298 | 3.65 |
| | 1897 | 18 | 4 | 22 | 2.30 | 236,507.00 | 6.47 | 95,385.00 | 1,531,883 | 6.23 |
| [2]131015 | Columbus–Indianapolis: | | | | | | | | | |
| | 1912 | 20.9 | 8 | 28.9 | 2.50 | 354,110.00 | 6.04 | 63,371.27 | 1,870,481 | 3.39 |
| | 1897 | 14 | 4 | 18 | 2.30 | 191,508.00 | 6.61 | 57,169.00 | 1,233,517 | 4.63 |
| 133002 | Indianapolis–East St. Louis: | | | | | | | | | |
| | 1912 | 16 | 8 | 24 | 2.91 | 368,214.27 | 5.81 | 56,822.37 | 1,987,708 | 2.86 |
| | 1897 | 14 | 4 | 18 | 2.30 | 239,695.00 | 6.62 | 95,436.00 | 1,567,536 | 6.09 |
| | New York–East St. Louis: | | | | | | | | | |
| | 1912 | 24 | 11 | 35 | 3.52 | 3,015,490.16 | 5.58 | 432,126.82 | 14,882,625 | 2.90 |
| | 1897 | 17.4 | 4.9 | 22.3 | 2.90 | 1,714,553.00 | 6.32 | 467,514.00 | 8,623,365 | 5.42 |

[1] Includes storage and deadhead mileage.

[2] Includes earnings and mileage of through trains run via Piqua and Dayton.

NOTE.—Figures in parentheses are for 1897.

Amount received per ton per mile, 5.58 cents (6.32 cents) × tons carried, 3.52 (2.9),+ amount received for car space per mile, 2.90 cents (5.42 cents), = 22.54 cents (23.75 cents), amount received per car per mile.

Amount received per car per mile 22.54 cents (23.75 cents)+ weight of car 60.66 (41) tons + weight of mail 3.52 (2.9) tons = 3.51 (5.4) mills per ton per mile.

Average load per freight car 25.10 (12.97) tons × average rate per ton per mile 5.72 (5.2) mills = 14.36 cents (7.4 cents), amount received per freight car per mile.

Average amount received per freight car mile 14.36 cents (7.4 cents) + weight of car, 19.41 (13) tons + weight of load 25.10 (12.97) tons = 3.23 (2.6) mills per ton per mile.

Average speed mail carried, about 35 (35) miles per hour. Average speed freight carried, about 11 (11) miles per hour.

Average cost mail car, about $11,605 ($5,500). Average cost freight car, about $913.61 ($500).

## STATEMENT OF MR. H. M. WADE.

The CHAIRMAN. Mr. Wade, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Please state your name, age, residence, and occupation.

Mr. WADE. H. M. Wade; 48; agent of the mail traffic and general baggage agent, Erie Railroad. I have been an employee of the Erie Co. for about 3 years and in the Government employ for about 23½ years.

The CHAIRMAN. In what capacity were you with the Government?

Mr. WADE. As railway postal clerk, clerk of the Railway Mail Service, and Assistant Superintendent of the Railway Mail Service.

The CHAIRMAN. Have you any prepared statement to submit to the committee?

Mr. WADE. I have. Before submitting that, Senator, I would like to call attention to the paragraph in the proposed bill in regard to the railroads providing side messenger service.

The CHAIRMAN. You mean in the suggested bill of the department?

Mr. WADE. The suggested bill of the department.

The CHAIRMAN. Submitted by the Postmaster General under date of January 20, on page 109 of the preliminary report?

Mr. WADE. The proposed bill would require the railroads to provide city terminals and direct transfer service, etc. This would require the railroads, according to my understanding, to carry the mails to all post offices, regardless of the distances, whereas the present regulations only require them to carry it to post offices where they are within easy run of the railroad station. That would make a very material difference in the cost to the railroads.

The CHAIRMAN. What difference, in your opinion?

Mr. WADE. At all stations where the Government now carries the mail outside of the 80-rod limits the railroads would be required to assume that expense.

The CHAIRMAN. Which you figure at $1,500,000?

Mr. WADE. I have not made any figures on that.

The CHAIRMAN. Could the appropriation for the messenger service be applicable to the side service under this viewpoint which you present?

Mr. WADE. Practically.

The CHAIRMAN. Will you kindly give us your statement?

Mr. WADE. My statement is simply a comparison showing the inequality of rates that would exist under the space-basis service:

The following table, comparing operating expenses charged to mail service and car-foot miles made in mail service on several railroads, showing either an approximately equal amount of service or allowed about an equal amount for operating expenses and taxes for mail service in Document No. 105, indicates a few of the many varying results obtained.

| | Operating expenses chargeable to mail service. | Car-foot miles made in mail service. | Operating expenses per car-mile, 60-foot car. |
|---|---|---|---|
| Astoria & Columbia River | $1,237.76 | 225,571.80 | $0.3292 |
| St. Johnsbury & Lake Champlain | 857.55 | 224,184.05 | .2295 |
| Colorado Springs & Cripple Creek | 823.69 | 29,547.00 | .1672 |
| Columbia & Puget Sound R. R | 815.07 | 52,399.76 | .9330 |
| Columbia, Newberry & Laurens R. R | 158.71 | 40,618.50 | .2344 |
| Denver, Northwestern & Pacific | 2,396.60 | 256,956.00 | .5596 |
| Duluth, South Shore & Atlantic | 2,442.61 | 813,548.55 | .1801 |
| Louisville & Nashville | 45,175.89 | 18,191,222.62 | .1489 |
| Missouri Pacific | 58,575.10 | 16,887,104.88 | .2081 |
| Great Northern | 100,501.66 | 30,889,628.27 | .1952 |
| Chicago, Rock Island & Pacific | 84,348.16 | 30,188,296.09 | .1676 |
| Chicago, Milwaukee & St. Paul | 128,965.16 | 36,974,295.97 | .2092 |
| Atchison, Topeka & Santa Fe | 93,614.87 | 35,762,263.37 | .1570 |
| Pennsylvania R. R | 138,686.11 | 46,974,972.68 | .1771 |
| New York Central & Hudson River R. R | 129,886.96 | 49,076,804.02 | .1588 |
| New York, New Haven & Hartford R. R | 69,381.99 | 14,687,728.45 | .2834 |
| Cleveland, Cincinnati, Chicago & St. Louis | 50,847.86 | 17,610,438.37 | .1732 |
| Port Townsend Southern | 52.89 | 1,869.16 | 1.6980 |
| Potomac, Fredericksburg & Piedmont | 51.83 | 19,619.60 | .1585 |
| Pittsburgh & Lake Erie | 4,197.92 | 674,064.79 | .3726 |
| New York, Chicago & St. Louis | 1,589.98 | 837,040.38 | .1139 |

Analyzing the last two items, P. & L. E. and N. Y. C. & St. L., we find that the P. & L. E. has five mail routes, viz, 110123, 110156, 110159, 110187, and 110222, but one route, No. 110123, 65.10 miles in length, carries an average of 20,658 pounds per day, which is about seven-eighths of the mail carried by all of the routes. Therefore, the concentration of mails on this line is very largely on one route, which, under ordinary circumstances, would be considered as favoring economical operation. However, compared with the service on the N. Y. C. & St. L. Railroad, route No. 131089, where a daily average weight of only 1,527 pounds is carried, the result is very interesting, as it will be noted that document No. 105 credits the P. & L. E. with $4,197.92 operating expenses and taxes for 674,064 car-foot miles of mail service, whereas the N. Y. C. & St. L. Railroad is credited with an operating expense of $1,589.98 for 837,040 car-foot miles of mail service.

The CHAIRMAN. How do you account for that seeming discrepancy?

Mr. WADE. It is in the figures.

The CHAIRMAN. Is it an error in the computation or an error in the system of computation?

Mr. WADE. I think it is an error in the system.

The CHAIRMAN. Then, you give this as a demonstration of the weakness of the system recommended?

Mr. WADE. Yes, sir; the various results that would obtain on similar railroads.

CLOSED-POUCH SERVICE.

The following table shows all Erie mail routes, with the total average daily weight of mails carried on each during the last quadrennial weighing; percentage valuation of all closed-pouch trains shown by the Post Office Department's train valuation sheets; percentage of car-foot miles credited to closed-pouch service in Document No. 105; and the average daily weight of closed-pouch mails based on each of these percentages. This table shows that the method adopted by the Post Office Department for estimating closed-pouch service resulted in reducing the weight more than 50 per cent.

| Route No. | Total average daily weight of mail during the weighing of 1909. | Value of all closed-pouch trains as shown by Post Office Department's train valuation sheets. | Percentage of car-foot miles credited to closed-pouch service in Document No. 105. | Average daily weight of closed-pouch mails. | |
|---|---|---|---|---|---|
| | | | | Carried during weighing of 1909 based on the value of closed-pouch trains as shown in Post Office Department's train valuation sheets. | Based on the percentage of car-foot miles credited to closed-pouch service in Document No. 105. |
| 107001 | 18,964 | 0.0396 | 0.0301 | 751 | 571 |
| 107005 | 1,566 | .1409 | .0387 | 221 | 61 |
| 107006 | 773 | .2903 | .0749 | 224 | 58 |
| 107008 | 8,836 | .0836 | .0419 | 739 | 370 |
| 107009 | 305 | .2041 | .2346 | 62 | 72 |
| 107091 | 2,131 | .2013 | .0594 | 429 | 127 |
| 107150 | 1,723 | .2413 | .0383 | 417 | 66 |
| 109017 | 1,754 | .2754 | .0715 | 483 | 125 |
| 109024 | 959 | .1814 | .0413 | 174 | 40 |
| 109034 | 515 | .4611 | .1746 | 237 | 90 |
| 109037 | 1,226 | .1666 | .0766 | 204 | 94 |
| 109055 | 2,814 | .0312 | .0692 | 88 | 195 |
| 109058 | 276 | .2916 | .0497 | 80 | 14 |
| 110020 | 702 | .0065 | .0066 | 5 | 5 |
| 110043 | 584 | .3923 | .1459 | 229 | 85 |
| 110064 | 766 | .0896 | .0242 | 69 | 19 |
| 110189 | 416 | .2027 | .0576 | 84 | 24 |
| 131005 | 18,623 | .2906 | .1301 | 5,412 | 2,423 |
| 131034 | 11,574 | .0438 | .0282 | 507 | 326 |
| 131059 | 1,614 | .3609 | .1612 | 582 | 260 |
| 131090 [1] | 9,438 | .0042 | .0315 | 40 | 297 |
| Total | | | | 11,037 | 5,322 |

[1] Shortly after the weighing of 1907, additional closed-pouch service was established on route 131090 that greatly increased the percentage of closed-pouch mails.

If, as Second Assistant Postmaster General Stewart admits, it will be necessary to weigh closed-pouch mails in order to ascertain the amount of space occupied by them, there would seem to be no necessity for using any theoretical basis for adjusting the pay for such service, as it would surely be more equitable to pay for the weight itself, which provides a fixed basis, instead of using a theoretical method of converting weight into space, which could not be accurate.

Another means of showing at a glance the inequality of results obtained from the department's method of computing space is shown in the following statement.

The ratio per 100 pounds is found by dividing the total mail car-foot miles for the month of November, 1909, by 30 (number of days in month), and by dividing this result by the length of route and by the number of hundred pounds of average daily weight shown by the report of last quadrennial weighing of mails.

| Route: | Ratio per 100 pounds. |
|---|---|
| Erie Railroad— | |
| Class A— | |
| 107001 | 2.11 |
| 107008 | 2.03 |
| 131005 | 1.17 |
| 131034 | 1.94 |
| 131090 | 1.75 |
| Average unit | 1.80 |
| Class B— | |
| 107005 | 5.18 |
| 107006 | 4.84 |
| 107009 | 4.73 |
| 107091 | 3.58 |
| 107150 | 4.18 |
| 109017 | 3.78 |

| Route—Continued. | Ratio per 100 pounds. |
|---|---|
| Erie Railroad—Continued. | |
| Class B—Continued. | |
| 109034 | 6.11 |
| 110020 | 6.28 |
| 110043 | 5.21 |
| 110064 | 6.86 |
| 110189 | 7.51 |
| 131059 | 3.20 |
| 109037 | 4.59 |
| 109058 | 7.92 |
| 109024 | 6.82 |
| Average unit | 5.38 |
| Class C— | |
| 107002 | 1.24 |
| 107004 | 2.41 |
| 107047 | 2.96 |
| 107074 | 2.42 |
| 107092 | 1.08 |
| 109030 | 1.90 |
| 109064 | 2.05 |
| 109066 | 4.77 |
| 110009 | 1.00 |
| 110024 | .75 |
| 110136 | 1.85 |
| 131139 | 1.54 |
| 109059 | 2.81 |
| 109084 | 2.45 |
| 107104 | 4.30 |
| 107096 | 1.27 |
| Average unit | 2.17 |
| Class D, 109055 | 1.90 |
| Class E, 131037 | 4.58 |

Class A: Full R. P. O., apartment-car, and closed-pouch service.
Class B: Apartment-car and closed-pouch service.
Class C: Closed-pouch service only.
Class D: Full R. P. O. and closed-pouch service.
Class E: Apartment-car service only.

NOTE.—Between the two extremes the ratio varies approximately 1,000 per cent.

I have classified the 36 routes into classes A, B, C, D, and E, class A having full R. P. O. apartment cars and closed-pouch service; class B, apartment car and closed-pouch service; class C, closed-pouch service only; class D, full R. P. O. and closed-pouch service; and class C, apartment-car service only, showing a variation in results of from 1.80 to 5.38 on the same road.

The CHAIRMAN. The criticism being concretely what?

Mr. WADE. That the results would be unequal rates of pay.

The CHAIRMAN. And the criticism is on the formula adopted, is it?

Mr. WADE. No; this is the formula I have used in arriving at this result.

The CHAIRMAN. I thought you said that was the formula used in Document 105?

Mr. WADE. No. Their criticism is on their form of arriving at the result in Document 105.

The CHAIRMAN. And you think you have demonstrated the weakness of that formula by the substitution of your formula?

Mr. WADE. No, sir; this is not intended as a formula for obtaining that rate. It is a formula for obtaining this variation in the results obtained by the department's formula.

The CHAIRMAN. Then your criticism of the department's formula is that it causes results that vary tremendously in divergence?

Mr. WADE. Yes, sir.

As an example of inadequate mail pay on short routes, your attention is called to the New Jersey & New York Railroad, page No. 274, Document No. 105, showing the operating expenses and taxes chargeable to mail service as $310.83 for the month of November, 1909; revenue from mail service $307.86, less $2.97. This road has two mail routes: 107104 and 109024, 46–83 miles in length, and has 12-foot mail apartment car service on eight trains running 272.23 miles per day, and closed-pouch mail service on eight trains running 221.83 miles per day, a total of 494.06 miles per day, for which the company received pay at the rate of $0.0239 per mile per day, which is a little more than the first-class passenger fare of the postal clerk who performs service in the mail apartment car.

It frequently happens that the use of these mail apartment cars requires the operation of an additional car on the train, as you will note from the attached letter from Mr. G. W. Kirtley, superintendent of transportation, Erie Railroad Co., dated July 18, 1912. (Exhibit A.) This letter shows that 19 mail apartment cars on 31 different trains are being operated exclusively for mail service, and this is a little over one-half of all mail apartment cars in use on Erie Lines.

It also may be interesting to note the revenue per car-mile received from the operation of a few of the mail apartment cars on the more important mail apartment car trains which is shown in the following table and is computed from the percentage of value given each train by the Post Office Department in their statement of weight of mails and compensation per train for mail transportation that is made up from weights taken during the quadrennial weighing and is approximately correct:

| Train No. | Between— | Revenue per car-mile. | Size of mail apartment. |
|---|---|---|---|
| | | | *Feet.* |
| 4 | Marion and Salamanca | $0.1081 | 30 |
| 5 | Hornell and Buffalo | .0595 | 20 |
| | | Return deadhead. | |
| 5 | Salamanca and Youngstown | .0562 | 25 |
| 6 | Youngstown and Salamanca | .0337 | 25 |
| 7 | Salamanca and Marion | .0969 | 30 |
| 7 | Marion and Chicago | .0972 | 30 |
| 10 | Jamestown and Youngstown | .0547 | 20 |
| 11 | Youngstown and Jamestown | .0125 | 20 |
| 15 | Youngstown and Marion | .0393 | 20 |
| 16 | Marion and Youngstown | .0344 | 20 |
| 26 | Salamanca and Susquehanna | .0434 | 30 |
| 47–25 | Jersey City and Salamanca | .0597 | 30 |
| 226 | Chicago and Marion | .0459 | 30 |

Baggage compartment not used in any of the above-mentioned mail apartment cars, due to the fact that a full car is required for the baggage and express on each train.

I would also submit a letter from Mr. Kirtley, superintendent of transportation of the Erie Railroad, which is as follows:

JULY 18, 1912.

Mr. H. M. WADE, *Agent Mail Traffic.*

DEAR SIR: Papers received with your letter of June 21 to Mr. Stuart relative 70-foot combined baggage and mail car, are returned herewith.

The amount of express shipping between Jersey City and Buffalo in train No. 1 is too great to be taken care of in a car allowing only 30 feet loading space for express.

The combined baggage and mail cars which are being operated exclusively for mail service are as follows:

| Car. | Trains. | Between— | Car. | Trains. | Between— |
|---|---|---|---|---|---|
| 603 | 222 and 541.. | Hornell and Salamanca. | 615 | 5, 618, and 6. | Salamanca and Cleveland. |
| 604 | 178 and 179.. | Jersey City to Port Jervis. | 617 | .....do..... | Do. |
| 606 | 532 and 531.. | Salamanca and Dunkirk. | 618 | 7, 226, and 4. | Salamanca and Chicago. |
| 607 | 468 and 467.. | Corning and Rochester. | 624 | 514 and 517.. | Buffalo and Jamestown. |
| 608 | 5 (478 DH).. | Hornell and Buffalo. | 625 | 47, 25, 26, 48, and 180. | Jersey City and Salamanca. |
| 609 | 527 and 540.. | Salamanca and Dunkirk. | | | |
| 610 | 10 and 11.... | Jamestown and Youngstown. | 626 | .....do..... | Hornell and Buffalo. |
| | | | 627 | 48 and 47.... | Do. |
| 611 | 15 and 16.... | Youngstown and Dayton. | 628 | 47, 25, 26, 48, and 180. | Jersey City and Salamanca. |
| 612 | .....do..... | Do. | | | |
| 614 | 7, 226, and 4. | Salamanca and Chicago. | 629 | 7, 226, and 4. | Salamanca and Chicago. |

Yours, truly,

G. M. KIRTLEY,
*Superintendent of Transportation.*

Mr. LLOYD. In that connection, suppose that they were paid for the space that was used, if a full car was required, you have pay for the full car. Then there would not be objection at that point?

Mr. WADE. No, sir; but the full car is not required. In none of these cases is more than 30 feet required for mail purposes.

The CHAIRMAN. Then is your contention against the present policy of receiving no compensation on the apartment cars, or is your criticism against the substitution of space for weight as the determinate factor of the service rendered?

Mr. WADE. This part of my paper is against the present method of not paying for full cars, showing that we are obliged to operate full cars in many instances without car pay?

Mr. LLOYD. But if you were paid according to space you would get full pay?

Mr. WADE. Yes; but we would not get paid for the car. This requires the operation of a full car.

Mr. LLOYD. But you would get paid for the space used, whereas at the present time you get no pay at all?

Mr. WADE. Yes, sir; that is true.

The CHAIRMAN. What are your objections, based on your experience of 23 years in the Government service, to substitute the plan of the department of space for weight as the measure of the service rendered?

Mr. WADE. Chiefly because it would have no stability. It is subject to the varying opinions of varying officials. If you will permit me, I will also put in a little paper I wrote fitting our own line, which shows the great elasticity:

To show the great elasticity of the space basis your attention is directed to the full railway postal car service between Jersey City and Chicago on trains 3 and 8 of the Erie Railroad.

This service was authorized by the Post Office Department in 1895 at the 60-foot full postal car rate, and equipment was purchased by the railroad company to fulfill the requirements of the department. In 1907, I believe, the authorization between Salamanca and Chicago was reduced to the 50-foot full postal car rate, and in 1908 a further reduction was made to the 40-foot rate between Salamanca and Marion, leaving the service stated and paid for as follows—Jersey City to Salamanca, 60-foot rate; Salamanca and Marion 40-foot rate; and Marion and Chicago, 50-foot rate; these different authorizations being made with the full knowledge of the department that it would be an operating impossibility to change the cars, load and unload the mails at Salamanca and Marion without seriously interfering with the train schedule to the detriment of passengers as well as mail service and with the full knowledge that

more mail was being carried in 1907 and 1908 and more distribution was being performed in the cars than when the original authorization was made in 1895.

No doubt the officers of the Post Office Department who recommended the original authorization were honest in their judgment that 60-foot cars were needed and the reductions made were due to a different opinion held by some one of his successors.

The CHAIRMAN. Do you contend that even theoretically space would not be as scientific a measure of the service rendered as weight?

Mr. WADE. I think not—the space alone.

The CHAIRMAN. Do you contend that the weight is a more scientific measure of the service rendered than space, eliminating the personal equation of the individuals who happen to be in charge?

Mr. WADE. Do you mean by that strictly weight or a combination of both space and weight?

The CHAIRMAN. As I understand, under the present method, 90 per cent of the mail compensation is determined by weight and 10 per cent practically by space, namely, that portion of the mail that goes in the R. P. O. cars. Do you agree as to that statement?

Mr. WADE. I think weight and space should be both considered.

The CHAIRMAN. Both are considered to-day?

Mr. WADE. Yes, sir. I think that is the principal item on which it should be based.

The CHAIRMAN. Would both be considered under the suggested plan of the department?

Mr. WADE. Yes, sir.

The CHAIRMAN. Then why do you criticize the suggestion planned?

Mr. WADE. No; I beg your pardon. The plan of the department says space only.

The CHAIRMAN. It uses weight on the determination as to the space occupied in the pouch service.

Mr. WADE. Simply as a means of ascertaining the weight, but not as the basis on which to pay for the service.

The CHAIRMAN. I do not exactly catch your concrete criticism as to the substitute plan of the department as represented in this bill. Would you state your criticism again?

Mr. WADE. My criticism is that it would be too elastic, it would be subject to the varying opinions of the different officials and would not be as scientific as a combined weight and space basis. Freight rates, I think, are based to some extent on the weight of the commodity and the space it occupies. I think express rates are, and I think practically all rates are, except, of course, passenger rates. You can ship a buggy if it is knocked down and crated cheaper than if it is on its wheels and occupies more space.

The CHAIRMAN. Then I will put this question: You do not think the present method of determination as to the payment of mail compensation to the railroads can be improved upon so far as weight is the determinate factor for the railway mail pay and space being the determinate factor for the R. P. O. service.

Mr. WADE. I believe that is the best thing I can figure out.

The CHAIRMAN. Do you agree with the gentlemen who have testified before the committee that an injustice is being done the railroads by giving them no allowance for side service and allowing them no compensation for apartment cars and not having a regular annual weighing?

Mr. WADE. I do, sir.

The CHAIRMAN. You have heard their testimony?

Mr. WADE. Yes, sir.

Mr. LLOYD. Having had experience in the Post Office Department, what is your objection to the quadrennial weighing?

Mr. WADE. We simply do not receive any compensation for the increase in weight during the four years.

Mr. LLOYD. Have you any other reason?

Mr. WADE. Well, that is the principal reason. That is the fundamental reason.

Mr. LLOYD. I accept that as your answer, then, that that is the fundamental reason. But are there any other reasons?

Mr. WADE. None that I think of.

Mr. LLOYD. Do you think any advantage is taken of anybody, anywhere, under the quadrennial system that would not be taken under an annual system of weighing?

Mr. WADE. I do not exactly understand what you mean?

Mr. LLOYD. I do not want to state it exactly. I thought possibly you could answer it in that way. To be specific, it is charged that the mails are padded somewhat under the present system, and advantage, in that way, is taken of the Government and that the inducement to padding the mail is the fact that there is such a long period before there is to be another weighing.

Mr. WADE. I do not think there is anything in that. I think if a man was crooked once in four years he would be crooked every year.

Mr. LLOYD. There would be more inducement to be crooked for a four-year period.

Mr. WADE. Well, perhaps. I think there are so few cases of that kind they are not worth considering.

Mr. LLOYD. I am asking you from both sides. Your impression is that it is a false idea, that is prevalent in many localities, that the mails are padded for the weighing?

Mr. WADE. I think it is. In all my experience I never found but one where there was any suspicion.

The CHAIRMAN. And you have had 23 years' experience in the service?

Mr. WADE. Yes, sir.

Mr. LLOYD. You have read the stories in the magazines and newspapers?

Mr. WADE. I do not believe in those things.

Mr. LLOYD. That is what the people get hold of?

Mr. WADE. I think most of the railroads and the Government are honest, so far as that is concerned; I have no reason to believe otherwise.

Mr. LLOYD. Who would be benefited by the annual weighing, rather than the quadrennial weighing?

Mr. WADE. The railroads.

Mr. LLOYD. Would the people be benefited in any way by having an annual weighing rather than a quadrennial weighing?

Mr. WADE. The greater the compensation the railroads receive, the better service they would be able to perform. I do not see any other benefit.

Mr. LLOYD. They are rendering the best service then can now, are they not?

Mr. WADE. Possibly not.

Mr. LLOYD. That is getting at the point I was aiming to reach. Is it not true that an annual weighing will only result in benefit to the railroad company and will have the effect of causing the Government to pay more money to the railroads for carrying the mail?

Mr. WADE. I should judge so.

Mr. LLOYD. In other words, the annual weighing scheme is a railroad scheme to get more money for carrying the mails.

Mr. WADE. It is a scheme to get pay for the service actually rendered.

The CHAIRMAN. We thank you very much, Mr. Wade.

## STATEMENT OF P. R. ALBRIGHT.

The CHAIRMAN. Mr. Albright, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you state your full name, your residence, and occupation?

Mr. ALBRIGHT. T. R. Albright; residence, Wilmington, N. C. Age 46. Assistant to general manager of the Atlantic Coast Line Railroad Co.

Mr. LLOYD. What phase of this subject do you aim to discuss?

Mr. ALBRIGHT. I have not prepared a paper on a particular feature, but have rather made a small general statement as to conditions on the Atlantic Coast Line Railroad to-day:

The act of March 3, 1873, is the basic act for the present railroad mail rates. It is not believed the carriers of this country were overpaid in the earlier years of mail transportation, yet the original rates were decreased beginning as far back as 1876, by act of Congress of July 12 of that year, making a reduction of 10 per cent; by act of June 17, 1878, a further reduction of 5 per cent was made, and by act of March 2, 1907, an additional reduction of 5 per cent on weights between 5,000 and 48,000 pounds, and practically 10 per cent on weight above 48,000 pounds, and, additionally, compensation for full R. P. O. cars was reduced about 20 per cent. In various other ways our compensation for handling the mails has been seriously reduced. Departmental orders were issued from time to time creating half lines and decreasing pay based on length of R. P. O. cars arbitrarily on supposed space necessary, in the opinion of the department, for the service between given points, irrespective of the length of the car operated. One of the most serious losses to railroads has been the change of the divisor from 6 to 7, under Order 412, effective on our lines on July 1, 1908, which alone decreased the compensation on the Atlantic Coast Line at the rate of about $49,000 per annum. This was a serious blow, particularly on the poorly-paid routes, and while it might have been deemed a fair method in arriving at averages in fixing pay, the compensation or earnings for the mail service having been based on a different factor, the railroads should have had some increase in compensation otherwise to have overcome this great loss.

The following table shows the annual compensation of this line for carrying the mails, including compensation for R. P. O. for fiscal years 1903 to 1912, inclusive, and the compensation for one year on the basis of the rates effective July 1, 1912:

| Year ended June 30— | | Year ended June 30— | |
|---|---|---|---|
| 1903 | $600,321.39 | 1909 | $607,372.96 |
| 1904 | 600,841.04 | 1910 | 608,301.17 |
| 1905 | 618,550.63 | 1911 | 607,869.19 |
| 1906 | 619,622.98 | 1912 | 590,640.00 |
| 1907 | 611,400.10 | 1913 | 618,049.65 |
| 1908 | 587,897.66 | | |

It should be noted that the total compensation was less for the fiscal year beginning July 1, 1913, than for either of the years 1905 and 1906.

In 1905 the compensation received by this company for use of full R. P. O. cars, which cars were provided at the request of the Post Office Department, and for the operation of which we assumed we had a well-understood contract, was $71,432; in 1908 this compensation had been reduced to $46,936.65, and from February 23, 1912, the compensation was further reduced, until to-day our annual compensation for the use of postal cars aggregates only $13,624.65, or a loss of 80.9 per cent within the period of eight years from 1905 to 1912.

The CHAIRMAN. That is, you mean a reduction in compensation?

Mr. ALBRIGHT. A reduction from $71,432.

The CHAIRMAN. You said a loss.

Mr. ALBRIGHT. A loss in revenue from that source.

Mr. LLOYD. How do you account for so much reduction in your rates when the R. P. O. car pay has increased in the United States with each recurring year?

Mr. ALBRIGHT. I am unable to understand it. That is just the point. We have lost it.

Mr. LLOYD. But other roads have not lost it. That is a very interesting thing to know, why your road should have lost it.

Mr. ALBRIGHT. I think I can make it still more interesting by quoting later on some figures which show the weight of the mail.

Mr. LLOYD. Is not that by reason of the diversion of the mail to the Southern roads?

Mr. ALBRIGHT. No, sir.

Mr. LLOYD. All through mails from here go over the Southern instead of the Atlantic Coast Line?

Mr. ALBRIGHT. Oh, no.

Mr. LLOYD. Does not the mail to Atlanta, Florida, and New Orleans go over the Southern?

Mr. ALBRIGHT. The mail to Atlanta and New Orleans does, but the mail for the coast points goes via the Atlantic Coast Line and the Seaboard Air Line. The Southern Railroad has trackage rights over our line from Hardeville, S. C., to Jacksonville, Fla., but they carry a very small portion of the mail coming into Florida.

There was never any diminution of service rendered by these 60-foot cars; irrespective of the reduction in pay the same number of cars were maintained and changed in accordance with departmental requirements as to construction from time to time. In 1911 we purchased eight modern all-steel 60-foot R. P. O. cars, and have maintained them since in the lines we were originally paid for on proper basis.

Mr. LLOYD. May I ask you right there what is the difference between the Seaboard Air Line and Atlantic Coast Line?

Mr. ALBRIGHT. The Atlantic Coast Line operates from Richmond to Jacksonville, Fla., and on to Tampa, Fla. The Seaboard Air Line operates a little farther west than our line in the coast section of the South Atlantic States. While it does not parallel our line it is a competitor for the southern business.

Mr. LLOYD. Does it start from Norfolk?

Mr. ALBRIGHT. One of the original coast lines runs from Norfolk to Rocky Mount. The second main line of the system starts from Richmond, south.

So, from the standpoint of the Atlantic Coast Line, it will thus be seen that our losses have been particularly severe, as is more fully shown in the following table, calculating on the reductions made effective since 1904 and on the rates to June 30, 1912:

| | |
|---|---|
| On weight of mail, notwithstanding the large increase in weights carried | $5,562.42 |
| R. P. O. pay | 57,807.35 |
| By change in divisor from 6 to 7 | 49,114.97 |
| Total per annum | 112,484.74 |

While the above loss per annum is enormous, the first and second items thereof have been increased on account of the readjustment of pay effective July 1, 1912, and since that date we estimate that our total loss (had the divisor not been changed and had we not been subjected to the foregoing reductions) from July 1, 1912, would approximate $120,000 per annum.

Had either the traffic or the cost of the service been less, there might be some argument that, in a measure, these losses to the railroad company were justifiable, but neither is the case; on the other hand, the records show, taking pay for the carriage of mails only, the following figures:

| | |
|---|---|
| 1904—Ton-miles per annum | 3,041,131.40 |
| Pay per annum | $542,927.08 |
| 1908—Ton-miles per annum | 3,811,192.13 |
| Pay per annum | $564,554.50 |
| 1912—Ton-miles per annum | 4,346,608.83 |
| Pay per annum | $602,336.37 |

The percentage of reduction in rate from 1904 to 1908 was 17.03, and from 1908 to 1912 was 6.48, while that from 1904 to 1912 was 22.40.

Looking at the earnings from another standpoint, let us consider the R. P. O. pay in conjunction with the pay for weight. It shows a reduction in receipts since 1904 of 29.9 per cent. These figures are startling in that while a steady increase in tonnage is shown for the three periods named, the revenue has greatly decreased. Bear in mind that no element of cost necessary to handle this great business has decreased in the slightest degree, but, on the other hand, has enormously increased.

During the past eight years, or since 1904, wages of railroad employees in the South have increased in a greater percentage than any other similar period in our history.

I might say right there in the years gone by, when the South was partly settled and labor plentiful the wage of labor was low. In later years the South has been compelled to adopt the same wages practically that other parts of the country have, where they are more densely populated, and they pay for similar services, and the decreased cost on percentage basis to the railroads of the South has been very much larger than on the railroads in any other section of the country within the past 10 years.

We will take, for illustration, the increase in rates of pay for train crews, who are more closely associated with the conduct of the business under discussion. The table following shows the average daily rate of passenger train crews for 1903, as compared with the year 1912:

| | 1903 | 1912 | Increase. | Per cent. |
|---|---|---|---|---|
| Engineers | $3.25 | $5.00 | $1.75 | 54 |
| Conductors | 3.00 | 4.50 | 1.50 | 50 |
| Firemen | 1.50 | 2.26 | .76 | 50 |
| Baggagemen | 1.50 | 2.90 | 1.40 | 47 |

In comparing the receipts from other sources during the same period it is found that in 1903 the receipts in passenger-train service per passenger-train mile amounted to 87 cents; in 1912, $1.198; or an increase of 32.8 cents, equal to 37.7 per cent.

Our passenger-train mileage for the years 1905 to 1912, inclusive, increased 42.7 per cent.

Comparing the years 1905 to 1912, inclusive, there was an increase of 73.9 per cent in passenger revenue, 81.4 per cent in express revenue, and a decrease in mail revenue for the same period of 4.5 per cent. The percentage of total passenger-train revenues divided under the three heads in 1905 was, from passengers, 79.6 per cent; from express,

10.4 per cent; from mail, 10 per cent. In 1912 these figures were very materially changed, and show, from passengers, 82.8 per cent; from express, 11.5 per cent; from mail, only 5.7 per cent.

Another expensive factor in conjunction with handling the mails which adds to our operating expenses is the cost of terminal service. From February 1, 1913, our allowance from the Post Office Department for terminal service was $1,775.37 per annum. The cost of performing this service, together with the cost of side service handled by employees engaged exclusively in handling the mail, was $13,441.80 per annum. This figure is the actual money paid out under contract and otherwise for handling the mails only, no estimate having been made of the value of handling the mails otherwise by employees who are paid for performing general duties at stations.

The CHAIRMAN. What do you receive from the Government for railway mail pay and R. P. O. pay?

Mr. ALBRIGHT. At the present $618,000 per annum. [Reading:]

As an illustration of how the rulings of the department affect the pay of the short routes, I wish to call attention to routes numbered 123063 and 123065.

Route 123063, Winston to Mulberry, Fla., length 10.82 miles, pay per annum $766.76. Annual cost of side and terminal service $270, or 35.2 per cent of total pay.

Route 123065, Croom to Brooksville, Fla., 9.99 miles, pay per annum $629.62. Annual cost of side and terminal service, $240, or 39.4 per cent of total pay.

Now, Mr. Chairman, I have made a note on the question of space and weight, but I do not feel that with the statistics we have I would be competent to give you any enlightenment on that subject, but if you desire I would be glad to read you a short note I have made from our viewpoint.

The CHAIRMAN. We would be glad to get your viewpoint.

Mr. ALBRIGHT (reading):

In the consideration of the question of the proper basis for determining compensation for the carriage of mails by railroads—that is to say, whether weight or space shall be the measure upon which said compensation shall be determined—any system that might be deemed at first thought expedient in fixing compensation on the basis of space must of necessity be thoroughly built up. Not only should this be determined upon by actual trial, but the condition under which the space should be used in connection with any rates that might be suggested should be clearly laid down, and there are so many other conditions that would enter into regulations governing the use of space that in our opinion it would be impossible to make any calculations as to the value of space for the handling of mail traffic without first determining the condition of usage.

But aside from any other consideration of the subject, it seems impossible to regulate the assignment of space in especially equipped cars for the postal service. Either full cars or apartment cars, designated for the mails, shall be paid for in some manner, as such space is not available for passengers or express; that is to say, any surplus space over and above the assignment under requirements as determined by the Postal Department. The present practices of the Post Office Department with respect to 40-foot and 50-foot allowances in 60-foot equipment is an illustration of the difficulty that would confront us, not only in full R. P. O. cars but in apartment cars as well, under rates based on space.

The universal practice of charging for transportation of all matter on a weight basis is, in our opinion, a proper method of fixing the rate, and we do not favor a change from weight to space.

Mr. LLOYD. Is your objection to the space basis really that you are likely to receive less compensation, or is it because you think it is not a proper determining factor?

Mr. ALBRIGHT. We do not think it is the proper factor.

Mr. LLOYD. Is it not true that at the present time, in order to obtain the estimate of compensation, it is necessary to take in space, to some extent.

Mr. ALBRIGHT. That is to say the dual compensation that we receive is, first, the weight carried, and, secondly, an allowance for the use of the R. P. O. cars or specially fitted post-office cars.

Mr. LLOYD. And you think it should have compensation not only for the R. P. O. cars, but for the apartment cars as well?

Mr. ALBRIGHT. I think it would be only justice that the railroads should be paid for any special facilities that they render.

Mr. LLOYD. Then your idea is that you should receive compensation for all the space that is used in carrying the mail, whether it be in the apartment car or in the R. P. O. car?

Mr. ALBRIGHT. The space used for post-office purposes, especially designed equipment, in our opinion should be paid for separately from the weight.

Mr. LLOYD. Then your idea is you should have pay for the space used as well as the weight of the mail itself?

Mr. ALBRIGHT. We feel that we should be paid for the equipment that is furnished—special equipment for the use of the department as a traveling post-office car.

Mr. LLOYD. I do not think that is a practical answer to the question. Is it not true that you think that you ought to have compensation for the space that is used, both in the R. P. O. car and the apartment car, as well as for the weight of the mail that is carried either in the R. P. O. car or the apartment car?

Mr. ALBRIGHT. I can only answer your question in this direct way: That I should not consider that we were computing our compensation on a space basis for the carriage of the mail.

Mr. LLOYD. Well, you are, in part.

Mr. ALBRIGHT. Yes; as I put it.

Mr. LLOYD. And for all mail that is not pouch mail.

Mr. ALBRIGHT. Well, a great deal of that mail is not pouch mail. You mean letter mail?

Mr. LLOYD. Any kind of mail that is carried in any kind of car, either an apartment or an R. P. O. car, you should have pay for on the basis of the space used. Is that your idea?

Mr. ALBRIGHT. As well as the weight.

Mr. LLOYD. Then you are in favor of pay according to both space and weight. You want pay for all the space used and you want pay for all the weight carried?

Mr. ALBRIGHT. On the present method.

Mr. LLOYD. But you want to extend the present method by including the apartment car.

The CHAIRMAN. The way Mr. Albright's position comes to my mind is, he wants the transportation compensation based on weight; he wants space compensation based on extra service.

Mr. ALBRIGHT. Special facilities.

The CHAIRMAN. Is that your position?

Mr. ALBRIGHT. Yes, sir.

Mr. LLOYD. Do you indorse as the proper change in existing law the suggestion that is made by Mr. Peters in the bill which he presents, and which is found on page 194 of the typewritten record? (See p. —— of the printed record.)

Mr. ALBRIGHT. Yes, sir; and I think it would be helpful to our line at least.

Mr. LLOYD. Is it your judgment that that meets the present requirement?

Mr. ALBRIGHT. I feel that that bill would give us relief.

Mr. LLOYD. It would give you some relief, but would it give you the relief which you think your road ought to have?

Mr. ALBRIGHT. That would be very difficult to determine without making calculations.

Mr. LLOYD. Let me ask you the question a little diffierently. If that bill were adopted, and it became a part of the law, would the compensation which you think ought to be restored to you be restored?

Mr. ALBRIGHT. We feel that the compensation should be restored to us, irrespective of what we may think as to the total amount we are entitled to for the carriage of the mail, and for the furnishing of special facilities in connection therewith, and should at least approximate $120,000 per annum.

Mr. LLOYD. Will that approximate $120,000 per annum for your road?

Mr. ALBRIGHT. I am sorry that I can not give you that information.

Mr. LLOYD. Then the truth is you do not know. You have not given the matter sufficient attention to know whether that would be the change that ought to be made in the existing law?

Mr. ALBRIGHT. I feel this way about it: That it would certainly give us much needed relief and would increase our compensation, and we are willing to try it.

Mr. LLOYD. What I am getting at is this: This commission wants to settle once and for all, if it can, by making a proper suggestion as to what is the right compensation for the Government to pay the railroad companies for the service rendered by the railroad companies to the Government. If the law is changed in accordance with that bill, has that been accomplished?

Mr. ALBRIGHT. I feel to a great extent that we would be remunerated for the service we render. I should only be too glad, Mr. Lloyd, if I could answer that question from a dollars and cents standpoint. I would like to be able to so answer it for my own satisfaction.

Mr. LLOYD. As I understand you, you do not know what is necessary to be done, but you want the $120,000 restored?

Mr. ALBRIGHT. We would like to have that back and a little bit more, if we could get it.

Mr. LLOYD. That bill does not change the rate of compensation. You complain in your statement of the divisor and you complain in your statement of the reduction from time to time in railway mail pay. This proposed bill does not restore those at all.

Mr. ALBRIGHT. We feel there are other considerations in that bill that would go a long way toward restoring some of our losses.

Mr. LLOYD. And it would have the effect of taking the place of the reduction.

Mr. ALBRIGHT. We hope so.

The CHAIRMAN. We thank you very much, Mr. Albright.

Thereupon, at 12.30 o'clock a. m., the committee adjourned to meet at the call of the chairman.

MONDAY, FEBRUARY 17, 1913.

JOINT COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The hearing was resumed at the call of the chairman, at 11 o'clock a. m.

Present: Senator Jonathan Bourne, jr. (chairman), Senator Harry A. Richardson, Senator John H. Bankhead, Representative James T. Lloyd, Representative William E. Tuttle, jr., and Representative John W. Weeks.

## STATEMENT OF MR. E. G. BUCKLAND.

The CHAIRMAN. Mr. Buckland, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your full name, residence, occupation, and the official position which you occupy with the company, and in what capacity you appear before the commission this morning.

Mr. BUCKLAND. My name is Edward G. Buckland. My residence is New Haven, Conn., occupation, vice president of the New York, New Haven & Hartford Railroad Co., and as such charged, among other things, with the duty of representing that company and its allied and controlled lines in its relations to the Federal Government and in its relation with the Post Office Department.

The CHAIRMAN. Have you read the second suggested bill transmitted by the Postmaster General to this commission in reference to the readjustment of the method of railway mail pay embodying the substitution of space for weight basis as the measure of the service rendered?

Mr. BUCKLAND. I have.

The CHAIRMAN. Kindly give the committee your comments and views on the main features of that bill?

Mr. BUCKLAND. My criticism of the first paragraph of that bill is that the Postmaster General is authorized and directed to require companies to furnish such data as in his judgment may be deemed necessary to ascertain the cost to the companies of carrying the mail.

The CHAIRMAN. He represents the Government so far as that part of its activity is concerned, and is the proper individual, is he not, to designate the information necessary for the Government to obtain in order to get an intelligent ascertainment as to the compensation to the railroads, provided cost is one of the elements entering into that ascertainment?

Mr. BUCKLAND. It is proper for him to obtain that information for his own purposes, in order to present it to a tribunal who shall ascertain that cost, but it is no more proper for him to require the railroads to give data of that kind to enable him, for his own purpose and for his own demands, to ascertain the cost than it is proper for the War Department to obtain similar data from the railroad companies in order that the War Department may determine how much it will pay to the railroad companies for carrying munitions of war or cannons or anything of that sort, or for the Navy Department to obtain similar information. If I apprehend the function of the Postmaster

General with reference to the carriage of mail, he stands in exactly the same position toward the common carriers of this country as the heads of other departments in regard to other commodities which they are asking the railroads to carry.

The CHAIRMAN. If cost is to be an element in arriving at the compensation to be paid the railroads, how is the Government to obtain that information and what suggestion would you make as an improvement on the plan in the suggested bill, concerning which you have made a criticism as to the first paragraph?

Mr. BUCKLAND. I think that the wording should be so plain as to make it perfectly clear that the data which he is seeking to obtain should be data of a kind which can be furnished by the railroad companies, in order that he may obtain the necessary information to present to the Interatate Commerce Commission, if you like, in case the railroads and the P. M. G. can not agree as to what is a reasonable charge for carrying the mail?

The CHAIRMAN. Is your criticism against the first paragraph that cost should not be an element in the determination as to the compensation or as to the method of ascertainment of that cost?

Mr. BUCKLAND. As to the method of ascertainment of that cost.

Mr. LLOYD. You do not claim that the Postmaster General has not a right to that information, do you?

Mr. BUCKLAND. Are you asking me as a lawyer?

Mr. LLOYD. No. I am asking you as a witness in this case. We are not dealing with you as a lawyer, but we are trying to deal with you in order to get the facts. I take it you are not sworn to answer questions as a lawyer, but to answer as to facts.

Mr. BUCKLAND. I will answer you on that same basis, I know nothing which requires railroad companies to furnish such information to the Postmaster General.

Mr. LLOYD. What they are proposing to do is to have a law enacted and if a law is enacted, that you are required to furnish that information to the Postmaster General, what harm is there in it?

Mr. BUCKLAND. No harm at all, but you asked me whether they were required to do it.

Mr. LLOYD. No; you misunderstood me. The chairman wants to know what your objection to the proposed bill is, and the objection that you urge to the proposed bill is that the Postmaster General will be authorized to obtain information which you think he ought not to obtain.

Mr. BUCKLAND. I beg your pardon. I did not make that statement.

Mr. LLOYD. Then make your statement as it should be.

Mr. BUCKLAND. I think that it should not be in the power of the Postmaster General to obtain the information only in his own way for the determining of the cost of carrying the mail in his own way. The Postmaster General ought to have the right under this bill or some other bill——

Mr. LLOYD. Then whose way should we adopt?

Mr. BUCKLAND. He may obtain all the information which he likes, but he should not thereby have the right to determine, for the sake of enforcing his determination upon the railroad companies, what the cost of carrying the mail is.

Mr. LLOYD. Your position is that the railroad companies ought to be placed in position that they can give such information as they

think the Postmaster General ought to have in order to determine the element of cost?

Mr. BUCKLAND. No; it is not that at all.

Mr. LLOYD. Then please state what it is?

Mr. BUCKLAND. My position is that the railroad companies should be required to give the Postmaster General any information he may ask for the purpose of enabling him to present to an impartial tribunal what, in his opinion, is the cost to the railroad companies of carrying the mail, and that the railroad companies may, on their part, be permitted to present their data to the same tribunal for the purpose of meeting the Postmaster General and having the issue determined between them.

Mr. LLOYD. You are getting away from the question that was stated in the first proposition. The first proposition is that the Government shall be placed in the position that it shall have the necessary information to determine what it costs to carry the mail, not to leave it to any other tribunal, but shall know itself. You, as I understand it, do not want it placed in that position, but you want to furnish such information as you desire and then you want to leave it to a tribunal to determine whether it is fair or not fair, just or unjust, whether it is a proper statement of cost?

Mr. BUCKLAND. No, sir; I think you have misunderstood my position entirely. May I read the bill?

Mr. LLOYD. Yes.

Mr. BUCKLAND (reading):

The Postmaster General is authorized and directed to require companies operating railroads by steam, electricity, or other motive power, carrying the mails, to furnish, under oath and seal, not less frequently than once in each fiscal year, such information relating to the service, operation, receipts and expenditures, and such other information of such roads for a period of not less than 30 days, to be designated by him, as may, in his judgment, be deemed necessary to enable him to ascertain the cost to the companies of carrying the mails on their respective roads and the proper compensation to be paid for that service.

That is followed by a proposition that he shall adjust the pay upon that basis, subject to a review by the Interstate Commerce Commission.

Mr. LLOYD. What is the criticism about the first part? How would you have that changed, or would you cut it out altogether?

Mr. BUCKLAND. No; I should not cut it out altogether. I think he ought to have that information.

Mr. LLOYD. How would you change it?

Mr. BUCKLAND. I should strike out the words "in his judgment."

Mr. LLOYD. Then whose judgment would you have?

Mr. BUCKLAND (reading):

As may be deemed necessary to ascertain the cost to the companies and the proper compensation to be paid for that service.

Mr. LLOYD. Whose judgment would you have?

Mr. BUCKLAND. The judgment of the Interstate Commerce Commission.

Mr. LLOYD. Then you would have the inquiry made by the Interstate Commerce Commission and not by the Postmaster General?

Mr. BUCKLAND. If the railroads and the Postmaster General could not agree without that inquiry.

Mr. LLOYD. What objection is there to the Government finding out what it costs?

Mr. BUCKLAND. None at all, sir. I am afraid you and I do not understand each other.

Mr. LLOYD. Evidently we do not.

Mr. BUCKLAND. I wish to give the greatest and fullest publicity to the cost of carrying the mail.

Mr. LLOYD. The Government must get its information through the Postmaster General?

Mr. BUCKLAND. I should think it ought to get it through a neutral tribunal."

Mr. LLOYD. You would not allow the Government to obtain any information through the Postmaster General, except that which is directed by the Interstate Commerce Commission?

Mr. BUCKLAND. I think it would be much fairer.

Mr. LLOYD. Let me ask you this question: Do you contend that the Government has no right to make any inquiry at all, except through a tribunal such as the Interstate Commerce Commission?

Mr. BUCKLAND. Under the present law?

Mr. LLOYD. No; we are talking about a change in the law.

Mr. BUCKLAND. The Government has a right?

Mr. LLOYD. The sole purpose of this commission is to ascertain what is right and make recommendations for changes.

Mr. BUCKLAND. The Government has a perfect right to obtain such information, either through the Postmaster General——

Mr. LLOYD. Why should they not obtain this through the Postmaster General, as this directs?

Mr. BUCKLAND. There is no reason why they should not obtain the information and I am perfectly willing to give the information to the Postmaster General.

Mr. LLOYD. Then your objection is as to his determination as to the cost?

Mr. BUCKLAND. Yes, sir.

Mr. LLOYD. You have no objection to giving him the information whatever?

Mr. BUCKLAND. Not the slightest.

Mr. LLOYD. I wish you would indicate just what you think ought to be cut out. Is that the only expression you want to cut out "in his judgment"?

Mr. BUCKLAND. I think so. I have not studied the bill with the idea of studying other language, but that in general is my idea.

Mr. LLOYD. Do you object to the Postmaster General ascertaining the cost?

Mr. BUCKLAND. Not for the purpose of making a presentation to the Interstate Commerce Commission; no, sir.

Mr. LLOYD. I want you to understand that we are not dealing with the Interstate Commerce Commission, that we have nothing to do with that commission under existing law, in the slightest, and if we do have anything to do with it, it will be because we have changed the law.

Mr. BUCKLAND. That is what I understand this law contemplates.

Mr. LLOYD. We are not bound by this in any manner whatever. I suppose that every member of this commission has some objection

to that proposed law. We are not standing on that at all, but the only question that is asked you is, What is your objection to the proposed change in the law, which change is suggested by the Postmaster General?

Mr. BUCKLAND. If you ask for my criticism of this bill, I must, of course, assume, in taking the first paragraph of the bill, that it is connected with other paragraphs of the bill which deal with the Interstate Commerce Commission and which do, perhaps, give to the Interstate Commerce Commission certain revisory or reviewing powers.

Mr. LLOYD. You may object to that, too?

Mr. BUCKLAND. Possibly; but I was referring to the whole framework of the bill. I must either talk upon this bill or upon the existing law.

Mr. LLOYD. Go ahead, and I will understand you better later on.

The CHAIRMAN. As I understand your objection to the first paragraph, it is the inferential right of the Postmaster General to make a determination as to what shall enter into the element of cost?

Mr. BUCKLAND. Yes, sir. My thought is that he should have the fullest information and all of the information at the disposal of the railroad companies, but that he should not be authorized, even by inference, to include or exclude finally such information or such data as would be material in determining the cost of carrying the mail.

The CHAIRMAN. I think we understand you.

Mr. BUCKLAND. In the third paragraph there is the same general objection [reading]:

> The Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads and shall verify and state the results in such form and manner as he shall deem proper. For this purpose he shall transmit the information furnished by the railroad companies relating to the operating expenditures to the Interstate Commerce Commission, who shall credit, assign, and apportion such operating expenses to the passenger and freight services, and report the result as to the passenger service to the Postmaster General.

The CHAIRMAN. The right of determination, under that proposed legislation, would rest entirely with the Interstate Commerce Commission, would it?

Mr. BUCKLAND. I think it would, only as to the information which he had received from the railroad companies.

The CHAIRMAN. Such information as he chose to transmit?

Mr. BUCKLAND. As he chose to transmit; yes, sir.

The CHAIRMAN. Your criticism is, that under the suggested plan he would not be compelled to give all the information to the Interstate Commerce Commission for a final determination?

Mr. BUCKLAND. That is my general criticism.

Mr. WEEKS. You do not think, do you, that the Postmaster General would withhold any information which would have been obtained, but what you object to is the construction which he would put upon that information?

Mr. BUCKLAND. He might not require such information as the railroads might desire to give him, or he might exclude such information as being immaterial that the railroads might wish to give him.

Mr. LLOYD. That is going back to another point on which we differed a while ago. If I understand your statement, you want it left in the

hands of the railroads to furnish such information as they desire to give?

Mr. BUCKLAND. No, sir.

Mr. LLOYD. The term that you used there was such information as they desired to furnish?

Mr. BUCKLAND. No, sir. I did not advisedly say that; no.

Mr. LLOYD. Will the reporter kindly read the witness's answer?

The reporter read the answer, as follows:

Mr. BUCKLAND. He might not require such information as the railroads might desire to give him, or he might exclude such information as being immaterial that the railroads might wish to give him.

The CHAIRMAN. I understand that Mr. Buckland's objection to the present plan is that the Postmaster General might have the right of determination as to what was vitally important and material, and what was not.

Mr. LLOYD. Then as I understand his latter expression he thinks the railroad companies ought to be permitted to give such information as they want to give, and that gives them the opportunity to furnish whatever they desire and they become the determining factor as to what shall be furnished.

The CHAIRMAN. Let me ask a question in that connection. Would you have any criticism on this section of the suggested plan of the department, providing specific permission was given, that the railroads should, in addition to answering the inquiries and furnishing the information requested by the Postmaster General, be allowed to submit such additional information and material as in their opinion was of importance to the subject matter, and that information be transmitted to the Interstate Commerce Commission through the Postmaster General's office.

Mr. BUCKLAND. I think that would be an excellent suggestion, for if the Postmaster General did not see fit to permit or to report all information which the railroad companies gave him, that they might, in their appearance before the Interstate Commerce Commission, submit such additional information as they might have.

Mr. LLOYD. Do you not think it unwise to allow the Postmaster General to fix the cost at all?

Mr. BUCKLAND. No; I think that he, in order to have some intelligent idea of the position of his department, should know something about it. I think he ought to know all he can about it.

Mr. LLOYD. But this authorizes him, as I understand it, to determine the question of cost and in that way he would be expected also to determine the question of pay which you would receive.

Mr. BUCKLAND. I do not think that quite follows, if I read the bill correctly. He proposed in the first instance to determine the cost and submit it to the Interstate Commerce Commission. If, whether or not he determines the cost, all of the data that he asks the railroad companies to furnish, and all of the data in addition thereto that they desire to furnish can be submitted to the Interstate Commerce Commission, and they in the last analysis may have the determining of this cost, I have no particular objection to his determining it for his own purpose in the first instance.

Mr. LLOYD. Why should he have the right to determine it at all?

Mr. BUCKLAND. Well, I think it is perhaps similar to a proceeding in equity where a bill of discovery is filed. There is certain informa-

tion which your opponent has—I used the word "opponent" not in the sense that there is any issue—which you are entitled to, and the court will undoubtedly give you that information and you can make up your case on that and the Postmaster General certainly ought to be in a position where he can intelligently present his case to the Interstate Commerce Commission.

Mr. LLOYD. Do you not think that the law ought to fix the pay that the railroads receive, rather than the Postmaster General?

Mr. BUCKLAND. The statute law?

Mr. LLOYD. Yes.

Mr. BUCKLAND. No, sir.

Mr. LLOYD. You would leave to him the determination, in any particular, of the amount that you should receive in compensation?

Mr. BUCKLAND. No, sir.

The CHAIRMAN. Your answer to Mr. Lloyd's question would leave that inference; at least it would in my own mind.

Mr. BUCKLAND. He asked me the direct question if I would make the statute law fix it and I said no, and then he asked me if I would leave it to the Postmaster General and I said no.

The CHAIRMAN. To whom would you leave it?

Mr. BUCKLAND. The Interstate Commerce Commission.

Mr. LLOYD. You would have all the rates of pay for carrying the mail fixed by the Interstate Commerce Commission?

Mr. BUCKLAND. Yes, sir.

Mr. LLOYD. You would have the statutes so changed that the sole tribunal in the determination of railway mail pay would be the Interstate Commerce Commission?

Mr. BUCKLAND. The sole tribunal; yes, sir.

Mr. LLOYD. The sole determining factor in the ascertainment of railway mail pay?

Mr. BUCKLAND. Not if you use the word "factor" in the sense of an element or a function of government which should present the facts to the Interstate Commerce Commission. In other words, I think the Postmaster General ought to be able to present facts to the Interstate Commerce Commission in regard to railway mail pay, just as the railways should present the facts likewise.

Mr. LLOYD. Carry out that view of it, how would you fix the law with reference to compensation to you?

Mr. BUCKLAND. I have drafted a bill here which I will present.

Mr. LLOYD. I beg your pardon; I did not know that.

Mr. BUCKLAND. My ideas in regard to this may perhaps clear up what we have between us. I regard the railroad companies of this country as commor carriers of all commodities of a proper kind to be carried; it does not make any difference whether it is flour, sugar, munitions of war, or mail.

Mr. LLOYD. And you place them all on the same basis?

Mr. BUCKLAND. I place them all on the same basis, with this exception: Those things which belong to the Government and which must be carried as a part of the Government's business—not a part of the Government function, but as a part of the Government business—I think the common carriers ought to be required to carry without giving them certain rights of prepayment, if you like, or certain other rights which belong to them as common carriers. To be specific, if

you come down to my railroad company and deliver a barrel of apples to be carried I have a right to demand as a condition precedent to the carriage of those apples that you should prepay the freight; if I do not carry them you could force me by mandamus, and I think the Government has the right to have its mail carried, munitions of war carried, and its troops carried, and everything which pertains to it, without the necessity in the first place of prepayment, if you like. I do not see how the Government stands in any different position in regard to the carriage of mail than any shipper stands in regard to the carriage of any other commodity, so far as a fair compensation to the common carrier is concerned.

Mr. WEEKS. Then you would differentiate between Government mail and personal mail?

Mr. BUCKLAND. I suppose that it is a function of the Government, that the Government could compel the mail to be carried.

Mr. WEEKS. That is the purpose of the Post Office Department, originally, to carry the Government mail?

Mr. BUCKLAND. That constitutes a very small part of the general mail. I think we might consider it altogether. My idea has been that something along the line of the English law is the law which we ought to have in this country, to permanently remove this question of railway mail pay from legislation.

Mr. LLOYD. Do you think you would have the right to refuse to carry the mail?

Mr. BUCKLAND. The Supreme Court of the United States says that I have.

Mr. LLOYD. Would you have the right to refuse to carry munitions of war?

Mr. BUCKLAND. No; I do not think so.

Mr. LLOYD. Why?

Mr. BUCKLAND. Because I think the Government holds itself out as ready to pay a tariff rate to carry munitions of war. It does not hold itself out as willing to pay such a rate for carrying the mails.

The CHAIRMAN. Do you hold that the Congress of the United States could not enact legislation that would compel you to carry the mail, providing the rates were not confiscatory?

Mr. BUCKLAND. I have no hesitation in saying that Congress has that power, but it has never exercised it.

Mr. LLOYD. The question has been raised in this investigation several times as to whether the railroad companies have the right to refuse to carry the mail?

Mr. BUCKLAND. I think we ought to clear that up. No common carrier, in my opinion, has the right to refuse to carry any proper commodity tendered to it, upon the payment of a proper compensation.

Mr. LLOYD. The only difference you make between the mail and anything else is that you think the Government ought to have an exemption as to the demand for prepayment?

Mr. BUCKLAND. I do; yes, sir.

Mr. LLOYD. But otherwise you place them on the same basis?

Mr. BUCKLAND. I place them on the same basis.

Mr. LLOYD. Do you not receive a protection from the Government you would not receive from a private individual?

Mr. BUCKLAND. I do not think so; nothing that is of such consequence that would put the mail into any excepted class.

The CHAIRMAN. Take the zone of the activity of your lines. If you could not receive any profit on carrying the mail, would you not deem that you would receive an indirect compensation for the additional facility to the business in your territory by the carrying of mail at cost? I do not mean for you to infer from my question that I favor, so far as I am concerned, compelling the railroads to carry at cost at all, but I do mean to say that there is a distinction, an indirect benefit that the transportation company would receive in the facilitation of business by improved mail facilities, according to my present viewpoint.

Mr. BUCKLAND. Mr. Chairman, I have heard that view expressed, and I think you have expressed it once or twice before in these hearings. Practically every commodity carried by a railroad is carried with a view to promoting the transportation of some other commodity. We carry pig iron into New England with the idea of carrying out machines. We carry copper ingots with the idea of carrying out copper goods. We carry bricks for the purpose of erecting buildings and factories, and I do not believe that the mail stands in any different relation to the common carrier than do these commodities. The mail may differ slightly in degree, but every carrier building up its business will take such commodities as will bring other business to it.

The CHAIRMAN. And the Federal protection to the mail is no advantage to the common carrier, in your judgment?

Mr. BUCKLAND. Not enough to bring it into an excepted class. I intended to start my statement here with the result of the report of the Postmaster General as referring to our particular road, and in that I include the New York, New Haven & Hartford, the Boston & Maine, the Maine Central, St. Johnsbury & Lake Champlain, the Somerset, Vermont Valley & Sullivan County, Washington County, the Central New England, and the New York, Ontario & Western.

The CHAIRMAN. Representing what in mileage and what in capitalization?

Mr. BUCKLAND. Representing in mileage about 10,000 miles and in capitalization about $750,000,000.

The CHAIRMAN. Bonds and stocks?

Mr. BUCKLAND. Bonds and stocks.

The CHAIRMAN. At par?

Mr. BUCKLAND. At par.

Mr. WEEKS. That covers all of the roads in New England with the exception of the Boston & Albany and its leased lines, the Bangor & Aroostook, and the Central Vermont?

Mr. BUCKLAND. The Central Vermont, the Canadian Pacific, and the Grand Trunk. I can go over the losses for months which the Postmaster General has figured that these roads are making on account of the present law.

The CHAIRMAN. Where has the Postmaster General figured that?

Mr. BUCKLAND. In House Document 105, page 276.

The CHAIRMAN. Does he make a direct and specific statement to the effect that these roads are losing so much per month under the present rates paid them for transporation?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. Read it, kindly.

Mr. BUCKLAND. I am reading from this pamphlet because it is difficult to follow the line across. The New York, New Haven & Hartford operating expenses and taxes chargeable to the mail service were $69,391.89.

The CHAIRMAN. What page is that on of Document 105?

Mr. BUCKLAND. Page 276. Revenue from service, $53,180.54; loss, $16,201.15.

The CHAIRMAN. This is a deduction made by the Post Office Department, based upon answers to interrogatories propounded by the department to your system, is it not?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. Is there any other statement in Document 105 where the Postmaster General or his representative accurately states or concedes that you are making a loss in the carriage of mail, or is your prior statement based entirely upon this computation made by the Post Office Department, or rather a compilation and tabulation of information submitted by you at the request of the department in answer to interrogatories?

Mr. BUCKLAND. My present compilation, that I am now reading from, is a compilation of Table 7, as relating to the roads owned, operated, or controlled by the New York, New Haven & Hartford Railroad Co.

The CHAIRMAN. But Table 7 is a compilation and tabulation of information furnished by you?

Mr. BUCKLAND. Yes, sir; but checked by the Post Office Department.

The CHAIRMAN. Checked only upon the information furnished by you in answer to specific questions asked of you by the Post Office Department?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. Has the New York, New Haven & Hartford information satisfactory to you so that you know definitely just what you are making or losing in your mail contract with the United States Government?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. What do you claim you are making or losing and how do you arrive at your statements?

Mr. BUCKLAND. I would like to have that testified to by our statistician, Mr. Bowman, when you put him on the stand.

The CHAIRMAN. You can do that later, but if you have the information before you I would like to get it in the record at this point, so as to get the relativeness between the information that you have quoted from Document 105 and your own deductions.

Mr. BUCKLAND. Answering that specific question, I would say that whereas the Postmaster General's Table 7 indicates a loss to the New Haven road of $16,201.15 per month, the data of the New York, New Haven & Harftord Railroad Co., as shown on the report of the value of the service rendered in the transportation of mail for the two and one-half years to December 31, 1911, prepared by Price, Waterhouse & Co., chartered accountants, 54 William Street, New York City, shows a loss for the fiscal year to June 30, 1910, of $743,035;

for the fiscal year of June 30, 1911, $728,943; and for the six months to December 31, 1911, $336,675. I quote from page 138 of that report, but as to the specific method by which that result is reached, I prefer to leave that to Mr. Bowman, the gentleman who made it up, as he can tell you much more specifically than I.

The CHAIRMAN. What did the New York, New Haven & Hartford system receive in the way of mail compensation, in R. P. O. pay, in the last fiscal year? I suppose you combined the two?

Mr. BUCKLAND. Oh, yes. In the fiscal year ending June 30, 1910, they received $645,572; for the fiscal year ending June 30, 1911, $646,846; for the six months to December 31, 1911, $324,258. The latter figures are both the earnings and the expenses for the six months, and are necessarily not so accurate as those taken for the complete fiscal year. The loss to the Boston & Maine, according to Table 7 on page 272 of House Document 105 is $9,457.46 per month. The loss to the Maine Central, on the same page, was $454.21 per month. The gain to the St. Johnsbury & Lake Champlain was $12.92. The loss to the Somerset Railway was $114.06. The loss to the Vermont Valley and Sullivan County Railway was $253.69. The gain to the Washington County Railway, $518.74; gain to the Central New England Railway, $105.73; loss to the New York, Ontario & Western Railway, $720.50. These are losses; that is, where the revenue does not meet the apportioned operating expenses. The Postmaster General's proposed bill would add 6 per cent profit to these operating expenses. If that were done, the total loss would be somewhat greater. The total loss per month for the entire system would be $35,066.47, or a total loss on the Postmaster General's figures of $420,797.64 per year.

The CHAIRMAN. Prior to the initiation of the inquiry under Document 105 and receipt by your companies of request for information for the Postmaster General did you carry on your books any accounts with the railway mail pay, so that you knew yourselves exactly what you were making, whether a loss or a profit, and if so, how much?

Mr. BUCKLAND. We carried to a very considerable extent accounts upon our books (but just how far they went I do not know) because of our contention with the Post Office Department at the beginning of the last period in 1909 that we were being inadequately paid and the protest under which we sent the circulars. I think, Mr. Chairman, that the Postmaster General has never contended that the New York, New Haven & Hartford Railway was fully paid.

The CHAIRMAN. The point is whether you had the definite information and knew yourselves as to exactly how this particular account stood in your earnings.

Mr. BUCKLAND. I could not say that we knew exactly how we stood, but I think we knew approximately. We have come to the point where I should like to introduce Mr. Bowman.

The CHAIRMAN. Before doing so I would be glad if you would submit for the information of the committee the concrete bill, based on the English system, which, in your judgment, if enacted would make a more equitable method of mail compensation for the transportation companies.

Mr. WEEKS. Mr. Chairman, would it not be well to have the English law put into the record?

The CHAIRMAN. Yes; both. I think it would be well to put them both into the record in order to get their relativeness.

Mr. BUCKLAND. I quote from a document entitled "The Railway and Canal Traffic Acts, 1854, 1873, 1888, and 1894, and Other Statutes; with the general rules of the Railway and the Canal Commission. London: Printed for His Majesty's stationery office by Darling & Son," in 1910. On page 14 of the regulation of railways act, 1873, I quote as follows:

CONVEYANCE OF MAILS.

18. Every railway company shall convey by any train all such mails as may be tendered for conveyance by such train, whether such mails be under the charge of a guard appointed by the postmaster general or not, and notwithstanding that no notice in writing requiring mails to be conveyed by such train has been given to the company by the postmaster general.

Every railway company shall afford all reasonable facilities for the receipt and delivery of mails at any of their stations without requiring them to be booked or interposing any other delay.

Where the mails are in charge of a guard appointed by the postmaster general, every railway company shall permit such guard, if he thinks fit, to receive and deliver them at any station by himself or his assistants, rendering him nevertheless such aid as he may require.

19. Every railway company shall be entitled to reasonable remuneration for any services performed by them in pursuance of this act with respect to the conveyance of mails, and such remuneration shall be paid by the postmaster general.

Any difference between the postmaster general and any railway company as to the amount of such remuneration or as to any other question arising under this act shall be decided by arbitration in manner provided by the act of the session of the first and second years of the reign of her present majesty's chapter 98, or at the option of such railway company by the commissioners.

I may say by later acts that arbitration is now referred to the railway and canal commission.

Where a railway company use, maintain, or work, or are party to any arrangement for using, maintaining, or working steam vessels for the purpose of carrying on a communication between any towns or ports, all provisions contained in any act with respect to the conveyance of mails by railways shall, so far as they are applicable to the conveyance of mails by steam vessels, extend to the steam vessels so used, maintained, or worked.

The CHAIRMAN. Under that the postmaster general and the railroads arrange as to the compensation to be paid the railroads for the carriage of the mail?

Mr. BUCKLAND. If they can. If they can not, they leave it to the railway and canal commission.

The CHAIRMAN. Do you think, taking into consideration the difference in conditions in the United States and in England, that the same laws of England could be enacted by this country with benefit to the Government and to the transportation companies?

Mr. BUCKLAND. I think not the same law, but the principle involved in the law.

Mr. LLOYD. You have the proposed bill with you?

Mr. BUCKLAND. Yes, sir.

Mr. WEEKS. Has this bill of yours been submitted to the Post Office Department?

Mr. BUCKLAND. No, sir.

A BILL To provide for the carriage of the mails.

*Be it enacted by the Senate and House of Representatives of the United States in Congress assembled—*

SECTION 1. That every railroad company operating as a common carrier shall convey by any train all such mail as may be tendered for conveyance by such train, and where necessary shall provide sufficient and suitable room, fixtures, and fur-

niture in a car or apartment properly lighted and heated for route agents to accompany and distribute the mails. Every such railroad company shall afford all reasonable facilities for the receipt and delivery of mails at any of its stations.

Mr. WEEKS. Who is to determine the necessity?

Mr. BUCKLAND. I am fixing here the rules and regulations of the Post Office Department. That is practically the wording of section 4001, so far as providing suitable room, fixtures, and furniture is concerned, the existing law regarding the carriage of the mails.

SEC. 2. That the Postmaster General is authorized to make and enforce all proper rules and regulations to govern the receipt, transportation, and delivery of the mails, which rules, regulations, and penalties for the violations thereof shall be filed with the Interstate Commerce Commission prior to any hearing in regard to remuneration and be considered in determining the cost of service for which remuneration is hereinafter provided."

The CHAIRMAN. Under legislation of that nature there might be, might there not, a different rate paid to each one of the 795 railroads with whom the Government now has mail contracts?

Mr. BUCKLAND. Very likely.

The CHAIRMAN. The enactment of the plan suggested by you would not result in an universal rate applicable to all?

Mr. BUCKLAND. No, sir.

The CHAIRMAN. In your opinion it is impossible, is it, to evolve a plan where the rate would be universal to all and just to all?

Mr. BUCKLAND. I do not know of any such plan that could be evolved.

The CHAIRMAN. Is it your judgment that it could not be evolved, an universal plan that would be just to all?

Mr. BUCKLAND. It is my opinion that it can not be evolved, that is, a plan to put into statute a specific sum to be paid either per car-foot mile or per ton mile for the carriage of the mails, if you like, in New England and in Arizona.

Mr. WEEKS. Taking section 2 of the proposed bill of yours, do you not think the Post Office Department ought to have the sole right to determine the responsibility in regard to the transportation and delivery of mail?

Mr. BUCKLAND. I do; and I give them the same right.

Mr. WEEKS. You give them another tribunal to go to?

Mr. BUCKLAND. No. I give that tribunal no supervisory powers over those rules and regulations. The Postmaster General provides his rules and regulations and they are to be considered in determining the remuneration. He may provide such rules as he deems necessary. He may ask for steel cars, if he is willing to pay for them, or he may ask for electric or acetylene lights, provided he is willing to pay for them, but the thing that I object to is that he asks for one thing when he makes his contract and after the contract is made he calls for something else. Let him state what he wants, and if we can not agree, then let the Interstate Commerce Commission decide what is a fair rate.

The CHAIRMAN. What happens during that period of adjustment. Are the mails interfered with?

Mr. BUCKLAND. Not at all.

The CHAIRMAN. You go on and carry them, in accordance with the request of the Postmaster General?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. And the basis of remuneration is determined subsequently?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. You having a right of appeal to the Interstate Commerce Commission?

Mr. BUCKLAND. Yes, sir.

SEC. 3. That every such railroad company shall be entitled to reasonable remuneration for any services performed by it in receiving, transporting, and delivering the mails.

You will notice I do not limit the duty of the railroad companies to transporting the mail, but to receiving, transporting, and delivering the mails.

Mr. WEEKS. How do you define reasonable remuneration?

Mr. BUCKLAND. My definition of that would be—

Such remuneration shall be paid by the Postmaster General as shall equal the cost to such companies for the performance of such service, plus six per centum of such cost; in addition such companies shall be entitled to such additional amount as shall constitute a proper proportion of a fair and reasonable return on the value of the property necessarily employed in the performance of such services.

Those are practically the Postmaster General's words in the modification which he has made of his present bill.

The CHAIRMAN. By subsequent legislation you would expect to avoid the injustice which, as I understand, it is the contention of the transportation companies they now suffer through the requirement of said service without direct compensation through the failure to receive compensation in apartment cars for the space occupied. I notice in your bill you make no arrangement for annual weighing, except every two years the adjustment shall be made, and inferentially, in order to get such adjustment, you have to get an ascertainment as to what the amount of the transportation is.

Mr. BUCKLAND. Yes, sir. Upon that first point there is a contention on the part of the public that the railroads are overpaid and there is a contention on the part of the railroads that they are underpaid. Certainly nobody can object if a neutral tribunal shall determine to what expense the railroads are put in the performance of this service and give them a stated profit over that. It seems to me if you agree to-day upon a bill which shall amply compensate every railroad in the country in accordance with this contention, by making a specific ton-mile or a specific cubic-foot rate of compensation, that two years will not roll around before this matter will be up in Congress again on the proposition that that ought to be reduced. You will never get this out of continued legislation until the question of remuneration is made flexible and to be determined by some neutral tribunal.

The CHAIRMAN. You do not agree with the general railway mail commission, representing some 214,000 out of the 250,000 total railroad mileage of the country, of which Mr. Peters, as chairman, has appeared before the committee several times?

Mr. BUCKLAND. To a certain extent I agree with them and to a certain extent I do not. Their contention has been based very largely on the question of space and weight. It seems to me that the question of space and weight is immaterial, according to my conception of what ought to be done in regard to railway mail pay. I

do not believe Congress should determine a ton-mile rate on mail any more than it determines a ton-mile rate on coal.

The CHAIRMAN. Do you not believe it is desirable, where possible, to have the law express specifically what the rights of the citizen may be, rather than leave it to the ipse dixit of an individual or to a rule and regulation?

Mr. BUCKLAND. That is a very general proposition. I might answer that and say yes but when it comes to a question of compensation for the performance of service, the cost of which and possibly the value of which differs under different conditions, I can see no more reason why the statute should fix the price at which the mail is to be carried than the price at which gunpowder should be carried.

The CHAIRMAN. The statutes do fix the rates you can charge for passenger traffic in many of the States?

Mr. BUCKLAND. Yes.

Mr. LLOYD. And the freight rates, too?

Mr. BUCKLAND. I do not know of any. There may be some, but there are none in the States that I represent. The commissions have power to fix maximum reasonable rates which shall be charged for the carriage of freight, but I do not know of any States in New England where the commission fixed the rate definitely.

Mr. LLOYD. That is fixing a rate, though, by saying you shall not charge more than a certain sum?

Mr. BUCKLAND. I am perfectly willing in this case that the Interstate Commerce Commission should say that we shall not charge more than a certain sum.

The CHAIRMAN. But your whole position is predicated upon the elasticity incident to the delegation of this power to the Interstate Commerce Commission, rather than to wait for legislation over a period of time?

Mr. BUCKLAND. Yes, that and the fact that this is no part of the legislative function of the Government, which should be exercised in a rigid statute.

Mr. LLOYD. Is it not true to-day that the greatest complaints the railroad people have, or the greatest complaints made in the last number of years are because of the treatment of the Postmaster General toward the railroads, and his determination against them?

Mr. BUCKLAND. I have never known of a time when there has not been this friction and this issue between the Post Office Department and the railroads, I can not see how it can ever be avoided so long as the Postmaster General reserves the right to impose additional services upon a railroad without additional pay.

Mr. LLOYD. If you leave it all to him to fix the rates and determine rules, are you not placing yourselves completely subject to him, excepting this, if you are dissatisfied you will have the right of appeal, which you do not now have?

Mr. BUCKLAND. Yes, sir.

Mr. LLOYD. That is the only difference, except this: That that would give him, under your bill, all power, not only to make the rules for the Government, but to make the rate himself, and if you are not satisfied with that, you under your bill would have the right to appeal to the Interstate Commerce Commission to determine the differences between you?

Mr. BUCKLAND. Yes, sir.

Mr. LLOYD. But all the power you vest in the Postmaster General to fix the rates and fix the rules to determine what shall be paid.

Mr. BUCKLAND. I think there is no power in him to fix the rate. He has the power to fix the rules and he ought to have that power, and he should have the fullest power.

Mr. LLOYD. Who fixes the rates?

Mr. BUCKLAND. The Interstate Commerce Commission, if you can not agree.

Mr. LLOYD. Before you get to the court, who fixes it?

Mr. BUCKLAND. It must be by agreement between the two. He has it between the railway company and the Postmaster General. He has no power to fix the rates.

Mr. LLOYD. Let me put the matter in another light. Of course, Congress must represent the people, or at least try to. Suppose we pass a law such as you suggest, and leave it to the railroad company to furnish the information and leave it to the Postmaster General to determine the compensation, the compensation, however, to be made by contract, to which the railroad companies must agree. Do you think that would satisfy the people?

Mr. BUCKLAND. Not if it were left there, but if it were a contract to which the railroad companies must agree, or to put it more exactly, if it were a duty which the railroad companies must perform, after an order of the Interstate Commerce Commission, I can not see how the people could ask for any fairer treatment than that.

Mr. WEEKS. Suppose the opposition to an administration contended that the railroads and the Postmaster General were working in cooperation and had agreed on rates that were much higher than the service warranted. How would you remedy that situation?

Mr. BUCKLAND. As a railroad man, I could hardly charge derelection on the part of the Postmaster General.

Mr. WEEKS. That is a situation that might arise.

Mr. BUCKLAND. I think it might be possible for the Attorney General to intervene in a case of that kind. That has been so foreign to my mind that it has never occurred to me as a possibility.

Mr. LLOYD. What do you think in that connection with regard to the doctrine of recall? Suppose, for instance, that the people believed that the Postmaster General and the Interstate Commerce Commission were both in sympathy with the railroads. What are we going to do under such a situation as that?

Mr. BUCKLAND. Mr. Lloyd, if we have gotten to such a place that we can not trust our own Government officials, the Government is in a pretty bad way. I do not think that that is a thing which we ought to think could be brought about.

Mr. LLOYD. Do you not think it is the duty of the legislative body to avoid just as much responsibility in the individual officer as is possible, so as to prevent the impression of the people that the individual has sold himself out to the interests of the country?

Mr. BUCKLAND. I should hardly put it that way. I think it is our duty to get such men to serve us at the head of the Government who will command the respect of the people.

Mr. LLOYD. Abstractly that is a splendid doctrine, but I am talking about a concrete proposition. Take it in the light of recent occurrences and you will realize that the people are demanding now that

an officer shall do his duty, and if he does not do his duty they are demanding that they shall have the right to recall him, it does not make any difference whether he is a judge of the Supreme Court, of the Interstate Commerce Commission, or whether he is the Postmaster General. Are we not encouraging the idea in the minds of the people and are we not encouraging the sentiment that demands the recall of everything if we give more power to the official instead of less?

Mr. BUCKLAND. Not if you have, as you have to-day, the Interstate Commerce Commission practically a permanent committee of Congress appointed to perform legislative functions with limited terms of office and their terms subject to the limitation of Congress and always responsive to the demand of the people as exhibited through Congress. I can not understand why if the tariff regarding a commodity carried for the citizens generally is confided to the Interstate Commerce Commission the Government is not willing to confide to that same commission a tariff for the carriage of its mails.

Mr. LLOYD. The people of the country, as you know, have the impression that the railroad companies are receiving too much. You made that statement yourself a while ago.

Mr. BUCKLAND. Yes, sir.

Mr. LLOYD. Do you think that idea would be disabused by the Interstate Commerce Commission saying that you are not receiving too much?

Mr. BUCKLAND. If it can not be disabused that way, I do not know how it can be. You must understand, Mr. Lloyd, that the Interstate Commerce Commission receives to-day reports from the railroad companies in regard to all sorts of operating expenses, and they have by no means exhausted their powers or privileges in requiring additional reports.

Mr. LLOYD. I am especially gratified that the Interstate Commerce Commission seems to be at this day one body that is not attacked, and I am especially anxious that it shall so remain that way.

Mr. BUCKLAND. As against that I think you must agree with me that if you fix a rigid sum for the payment of the mails you are going to have it a matter of controversy in the halls of Congress just as long as you can see.

Mr. LLOYD. That is not a question for us to determine. Questions of appropriation and questions of law are matters of constant legislation. The only thing for us to do is to do what we think ought to be done to-day and the next Congress will be charged with the responsibility if it is deemed advisable to change a law. That is their responsibility and not ours.

Mr. BUCKLAND. To-day the Supreme Court of the United States has said that the railroads are not bound to carry the mails, but, of course, what the Supreme Court means is they are not legally bound to carry the mails.

The CHAIRMAN. That is under existing law?

Mr. BUCKLAND. Under the existing law.

The CHAIRMAN. But you concede Congress can enact legislation to develop that?

Mr. BUCKLAND. Yes. I am referring to our present statutes. Supposing that any railroad which has appeared before you would say we accept that decision of the Supreme Court and we will stop carrying the mails. Why, that is an utter impossibility. The rail-

road company's property would not be worth anything a week after it had stopped carrying the mails. It is a physical necessity for us to carry the mails.

Mr. LLOYD. That is the reason I think it is unwise for you to make the statement repeatedly and leave it in the record, that you do not have to do it, without making some explanation of your meaning.

Mr. BUCKLAND. I had assumed that the gentlemen here realized the scope of the decision.

Mr. LLOYD. This goes into the hearings which are read by the public and they are the subject of magazine articles, newspaper articles, and other publications of that kind.

Mr. BUCKLAND. Let me say that the Supreme Court of the United States in the case of the Atchison, Topeka & Santa Fe Railroad Co. have decided that the railroad companies are not required to carry the mails, that if they do not like the compensation which the Postmaster General under authority of Congress prescribes, they can stop carrying them. Therefore they have no legal right to go to court and say that the compensation is insufficient. Everybody knows that whereas a railroad may not legally be bound to carry the mail it is physically obliged to carry the mail, and if Congress can continue to diminish the pay for carrying it, without leaving them any compensation, they being practically required to carry the mail all the time, the result will be that the time will come when they will not be getting anything for carrying the mail and the people of this country will regard it as a duty which the railroads should perform without any charge whatever. That is the inevitable result, it seems to me, of a continuing of statutes of that nature. I agree that the Government has the right to require the railroads to carry the mail and I think it ought to require them to do so. Then they would have a standing as to whether or not on account of inadequate compensation they were being subjected to confiscation of their properties, but so long as the law remains in this chaotic state the railroads may be perfectly sure that their property is being confiscated and yet have absolutely no redress in the courts. Do I make myself plain for the record?

Mr. LLOYD. Yes, sir. I think that the frankest and plainest statement we have had on that subject by far, from your viewpoint.

The CHAIRMAN. Under your suggested bill you provide for biennial ascertainment by the Interstate Commerce Commission, do you not?

Mr. BUCKLAND. Had I better not read this section?

The CHAIRMAN. I have read it.

Mr. BUCKLAND. I say that the Postmaster General may not, oftener than once in two years, apply to the Interstate Commerce Commission.

The CHAIRMAN. There is no question at all in the development of the postal service of the United States, roughly representing a 7 per cent increase annually, that the railroads every two years would demand increased compensation upon the increased tonnage, and the practical effect of your legislation would be a biennial ascertainment by the Interstate Commerce Commission. That is your judgment, is it not?

Mr. BUCKLAND. In the absence of an agreement between the Postmaster General and the railroad; yes, sir.

The CHAIRMAN. Do you think that the Interstate Commerce Commission already have duties imposed upon them that occupy their full time?

Mr. BUCKLAND. In answering that, I think they have duties imposed upon them which require their full time, but I do not know of any duties which should more clearly occupy their time than this.

The CHAIRMAN. Under this system your remedy would be increasing the number of commissioners in the Interstate Commerce Commission?

Mr. BUCKLAND. I do not think it necessary.

The CHAIRMAN. If a man's time is fully occupied, how is he going to have an additional burden placed upon him and be able to do justice to the matters he already has under consideration?

Mr. BUCKLAND. It may be that some of his duties could be delegated to some subordinate. In any event I think it will be found soon that this question of the ascertainment of railway mail operating costs would reduce itself to such a routine as to be easily ascertainable.

The CHAIRMAN. Then you think a yardstick can be evolved for each one of the 795 railroads with whom the Government now has mail contracts that would extend over a decade?

Mr. BUCKLAND. Not a yardstick; no, sir—but a principle.

The CHAIRMAN. What is your distinction?

Mr. BUCKLAND. A yardstick, I should say, would mean a compensation per ton-mile or compensation per car-foot mile. I do not believe that that can be evolved for all of the railroads. I think that the principle of additions to profits beyond operating cost and fair charges against the capital expenditures could be easily developed.

Senator BANKHEAD. Your idea is that the railroads over the country might be classified, certain railroads with certain environments and certain conditions should receive a certain amount.

Mr. BUCKLAND. I should think it would nmount to that very soon. I am not wise enough just how that would work out.

Sentor BANKHEAD. That is just what you propose for the Interstate Commerce Commission?

Mr. BUCKLAND. I imagine that railroads operating under substantially similar conditions could come under such a classification.

Senator BANKHEAD. That is the reason that I said classify them.

The CHAIRMAN. Then you think there is merit in the suggested bill submitted by the department of compensation being based upon the cost of the operation, with a reasonable profit? Personally you think that is the line on which the solution must be worked out?

Mr. BUCKLAND. Personally I have always felt so; yes, sir. My principal objection to the bill, as I have indicated to Mr. Lloyd, is that it still leaves in the power of the Postmaster General the right to prescribe additional services after we have made our contract. I do not think that is fair.

Mr. LLOYD. It must be true from the reports of the Postmaster General that your system of railroad has suffered worse under the existing law than any other system in the United States. How do you account for that?

Mr. BUCKLAND. I assume it is because——

Mr. WEEKS. Just a moment. Do you admit that that is true?

Mr. BUCKLAND. I think of the large roads, ours has suffered the worst. I think some of the short lines have suffered more.

Mr. LLOYD. I mean the New York, New Haven & Hartford system. That is the one to which I refer. That seems to have lost in nearly every direction. Why is it that that system is apparently losing more than the other systems of the country?

Mr. BUCKLAND. I should say probably it is because of the shortness of the travel, the frequency of the trains and the amount of terminal services which appertain to each train. As an illustration, the New York, New Haven & Hartford road runs a train for every mile of its road. It has, in round numbers, 2,000 miles, and runs 2,000 trains every day and most of those trains carry mail. Each one of those trains has to perform certain terminal services.

Mr. LLOYD. Is not your system a combination of short line roads?

Mr. BUCKLAND. Yes; I should say that it was.

Mr. LLOYD. Then whatever applies to the short line railroad would more nearly apply to your system than probably to any other system, because there is no other system that is made up of short line railroads?

Mr. BUCKLAND. Yes, sir; although there may be this addition, that the density of traffic in the immediate viciniyt of large cities raises a necessity for increased trains and increased terminal facilities, which would apply not only to roasd like ours, like the New York, New Haven & Hartford, but I assume to roads like the Long Island, the Jersey Central, and others that operate out from New York with comparatively short distances. Further than that I think that we are a collection of short roads.

Mr. LLOYD. You think that the bill that is suggested by Mr. Peters, if enacted into law, would not sufficiently compensate your system of roads?

Mr. BUCKLAND. I do not know that I know the last bill which he has submitted. I may say this, for your information, that I obtained figures as to what annual weighings and compartment car space would pay to our company, and I found that it would diminish our deficit by about $50,000 a year that is, against the $400,000 we are losing according to the Postmaster General's admission and some $700,000 according to our own.

The CHAIRMAN. You say that according to the Postmaster General's admission you are losing $400,000. That would, in my opinion, convey a false impression to the public. Your contention is based upon the information submitted by you in reply to specific interrogatories made of you by the Postmaster General, is it dot?

Mr. BUCKLAND. Not quite that. I understand that the Postmaster General examined our answers, checked them up, and wherever he thought they were not accurate, he made them accurate according to his understanding. In other words, the reports made by the railroads of this country to the Postmaster General are not the reports which he adopted in House Document 105.

The CHAIRMAN. House Document 105 contains deductions based upon the compilation and tabulation made by the Post Office Department on the information submitted by the railroads.

Mr. BUCKLAND. As modified by the Post Office Department after it had received it.

The CHAIRMAN. Modified to the extent of credits and debits under the data submitted by the railroads and not checked by the Post Office Department. You received a lot of interrogatories, you answered them, but the Post Office Department did not send representatives to go over your books and determine the answers to those questions? It simply compiled a tabulation of the information you submitted, and then made such and such deductions according to its own idea of credits and debits or allowances in accordance with the information submitted by you. Is not that true?

Mr. BUCKLAND. You may be correct, but I do not think that was it. I thought the Post Office Department of its own motion, where it believed it was warranted in so doing, modified those figures.

Mr. LLOYD. That is on the question of dead space, return cars, and things of that kind.

Mr. BUCKLAND. Yes, sir; I think so. I should like to introduce at this point, if I may, Mr. Bowman. Owing to the fact that Mr. Bowman is having a little trouble with his voice, I ask the permission to read the brief of Mr. Bowman of the firm of Price, Waterhouse & Co., made upon the report of the value of the service rendered by the New York, New Haven & Hartford Railroad Co., a copy of which report I hand to the chairman.

Mr. WEEKS. Has the firm of Price, Waterhouse & Co. any connection with the New York, New Haven & Hartford road other than having been employed for this paper?

Mr. BUCKLAND. None whatever. They are chartered accountants, and as I understand it have no connection with anybody.

Mr. LLOYD. Where are they located?

Mr. BUCKLAND. In New York and London, I believe.

Mr. LLOYD. From which office did you get this report?

Mr. BUCKLAND. Perhaps the reading of it will indicate.

The CHAIRMAN. For the time being we will excuse Mr. Buckland and call Mr. Bowman.

## STATEMENT OF MR. JOHN HALL BOWMAN.

The CHAIRMAN. Mr. Bowman, it will be necessary for you to be sworn.

The witness was thereupon duly sworn by the chairman.

The CHAIRMAN. Kindly state your full name, residence, and occupation.

Mr. BOWMAN. John Hall Bowman; residence, Clifton, N. J.; certified public accountant, and principal of the firm of Price, Waterhouse & Co., 54 William Street, New York.

The CHAIRMAN. Have you any other offices than the one in New York?

Mr. BOWMAN. We have also some 10 or 12 offices scattered over the United States from the Atlantic to the Pacific, and offices in Canada and Mexico.

Mr. LLOYD. Where are your offices in the United States?

Mr. BOWMAN. The main office in the United States is 54 William Street, New York City.

Mr. LLOYD. Where are your other offices?

Mr. BOWMAN. Boston, Chicago, Pittsburgh, Philadelphia, San Francisco, Seattle, and St. Louis.

Mr. LLOYD. Is your St. Louis firm doing business under this name?

Mr. BOWMAN. It is. It is a branch of the New York office.

The CHAIRMAN. Have you or your firm any interest in the New York, New Haven & Hartford Railroad Co.?

Mr. BOWMAN. Other than a professional interest, none whatever.

The CHAIRMAN. Your professional interest is that you are annually employed, as chartered accountants, to go over their accounts anp make a certification as to your findings for the stockholders and the public?

Mr. BOWMAN. We do not do that at the present time. We are engaged on this particular occasion for the purpose of preparing this report and investigating that matter.

The CHAIRMAN. How long were you on your investigation, the results of which are embodied in the report which you have filed with the commission here entitled, "Report on the value of the service rendered in the transportation of mail for the two and one-half years to December 31, 1911"?

Mr. BOWMAN. Between six and seven months.

The CHAIRMAN. Your investigation and results found apply only to the value of the service rendered in the transportation of the mail?

Mr. BOWMAN. No. They apply also to the results of the transportation of other passenger-train service and of freight, as is shown by the table in the separate pamphlet.

The CHAIRMAN. The summary pamphlet which the committee have before it gives, in brief, the information contained and elaborated in the fuller report?

Mr. BOWMAN. It does.

Mr. LLOYD. Other passenger service includes express, does it?

Mr. BOWMAN. It does.

Mr. LLOYD. Did you make a separate accounting for express?

Mr. BOWMAN. We did, but the data on the separation of express from other passenger-train service is not satisfactory to ourselves. We present it here subject to distinct limitations. The results are shown on page 188 of the full report.

Mr. WEEKS. Has your firm been employed in connection with preparing statistical information for the Post Office Department?

Mr. BOWMAN. It has in past years.

Mr. WEEKS. On another occasion?

Mr. BOWMAN. On another occasion.

Mr. WEEKS. State what that occasion was.

Mr. BOWMAN. I am not fully posted as to that work. I was not connected with it in any way myself. It was an investigation for a commission in 1907, which was investigating, as I understand it, the business efficiency of the Post Office Department. Our report there had to do with the question of business efficiency entirely.

Mr. WEEKS. That is the report I had in mind.

The CHAIRMAN. That was the Weeks-Carter Commission?

Mr. BOWMAN. Senator Penrose was on it, I know.

Mr. WEEKS. That was the Overstreet Commission. It was a joint commission of the Senate and House. The Weeks bill was simply the bill that was framed at that time, which was originally introduced by

Mr. Overstreet in the House and, I think, by Senator Penrose in the Senate.

The CHAIRMAN. In your study of the railway-mail compensation of the New York, New Haven & Hartford system did you work down a doctrine on the car-foot-mile basis as to what the system received per car-foot mile from railway-mail pay, including R. P. O. pay, and what they received from other services on the car-foot-mile basis?

Mr. BOWMAN. I do not remember calculating the receipts on that basis. We used the car-foot-mile basis for arriving at the separation of the expenses for passenger-train service, but we used it as a ratio and not as a unit.

The CHAIRMAN. Using it as a ratio, you had to have some figure even in that utilization. What was the figure that you used?

Mr. BOWMAN. The ratio of the car-foot mileage in any particular service to the total car-foot mileage of the passenger service.

The CHAIRMAN. What did you allow as the car-foot mile ratio for the passenger service, and what did you allow for railway mail service?

Mr. BOWMAN. We allowed for railway mail service, June 30, 1910, 4.805 per cent of car-foot mileage and for the total passenger-train service, including express, mail, and passenger, 100 per cent.

The CHAIRMAN. What was the per cent allowed for the express service?

Mr. BOWMAN. In that year 8.772 per cent.

The CHAIRMAN. Then the balance remaining, after adding together your ratio for express and mail, represented your passenger ratio?

Mr. BOWMAN. The passenger and small sundries that go on passenger trains; a little bit of milk service and a little bit of circus-train service that is negligible.

The CHAIRMAN. Negligible?

Mr. BOWMAN. Practically negligible. I do not think it has any bearing on the figures at all.

The CHAIRMAN. Have you had any experience in transportation matters other than in the accounting branch?

Mr. BOWMAN. The accounting branch as applied to both the financial matters and matters of valuation.

The CHAIRMAN. The statements read by Mr. Buckland as to the receipts from the Government for the fiscal year 1910–11 and six months of 1912, and the computed losses to the New York, New Haven & Hartford system for those years, were based on the determinations made by your firm?

Mr. BOWMAN. They were.

The CHAIRMAN. How did you reach the conclusion that, while this system in the fiscal year 1910 received $645,572 from the Government, they made a loss in that period of $743,045?

Mr. BOWMAN. By assigning the operating expenses and taxes of the road as a whole, first, as between passenger-train service and freight-train service, then resubdividing that assigned passenger-train service between mail service and other passenger-train service.

The CHAIRMAN. This was an autocratic assignment of yours?

Mr. BOWMAN. The method of this assignment was very similar to that adopted by the Postmaster General. A great many expenses are assigned on the basis of the actual purposes for which they were

incurred. Many others have necessarily to be on the best relative data that can be chosen.

The CHAIRMAN. The method adopted by the Postmaster General? How did you get the information as to that method?

Mr. BOWMAN. From House Document 105; the method is described in that document.

The CHAIRMAN. Did you approve of that method as a specialist in accounts?

Mr. BOWMAN. Not fully. In fact, we differed quite a little in it. But its net results we found to vary less than 2 per cent from the method as regards the separation of expenses from the method that we had approved fully.

The CHAIRMAN. That is your own method?

Mr. BOWMAN. Our own method.

The CHAIRMAN. There was but a difference of 2 per cent in net results between the method requested by the Post Office Department and your own method?

Mr. BOWMAN. Yes.

The CHAIRMAN. Will you explain for the information of the committee the difference between the Postmaster General's method referred to by you in your testimony and your own method?

Mr. BOWMAN. In this full report the Postmaster General's method, as described in Document 105, has been applied to all operating expenses in detail alongside of the method that we prefer and recommend.

The CHAIRMAN. Could you not concisely and briefly state the distinctions between the two methods, the result of which shows there is a difference of but 2 per cent in the results obtained?

Mr. BOWMAN. The main difference was due to the fact that where the Post Office Department was dependent on the imparted data, we had opportunity to go into all of the records that were available with a view to getting accurate separations in place of arbitrary ones, and that condition applied to a large number, particularly many of the transportation expenses.

The CHAIRMAN. Then, from your experience as a chartered accountant, in view of the fact that you had fuller information than that which was received by the Postmaster General, because the questions asked by the Postmaster General did not cover all the points, do you think they had a bearing upon this ascertainment? The fact that there was only a difference of 2 per cent in the results would demonstrate, to my mind, that the Post Office Department evolved a very satisfactory method of ascertainment.

Mr. BOWMAN. I do not think it would have fallen as closely on every road as it did in this one, but it was somewhat of a coincidence.

The CHAIRMAN. What would be the difference between the New York, New Haven & Hartford road and other systems, from your viewpoint?

Mr. BOWMAN. The difference is more marked when you come to taking individual groups of expense. The difference between the amount assignable to pasesnger, of the maintenance of way and structures in total, is, roughly, 8 per cent.

The CHAIRMAN. According to which method?

Mr. BOWMAN. Our method assigns 8 per cent more of the maintenance-of-way expenses to passenger service than the Postmaster

General's method does. The difference is reversed in the separation of transportation expenses.

The CHAIRMAN. Then, as I understand you, if you were going over the accounts of some other system, like the New York Central or the Pennsylvania, you would not expect to have the results come within 2 per cent of each other?

Mr. BOWMAN. I would not; no, sir.

The CHAIRMAN. In the brief which you have filed with the committee, previously referred to, you have summarized all of the information contained in the larger report before the committee, have you?

Mr. BOWMAN. Yes.

The CHAIRMAN. You think you have brought out the salient features?

Mr. BOWMAN. I believe I have brought out the salient features, leading, at least, directly to the results shown.

Mr. WEEKS. Will you point out to the committee the pages of your report of the New York, New Haven & Hartford Railroad on which appears your demonstration of the difference between the method adopted by you and the method adopted by the Post Office Department?

Mr. BOWMAN. It covers pages 71 to 160. That matter is dealt with under the heading of Expenses. The two methods are dealt with and the reason for abandoning the post-office method is indicated.

Mr. LLOYD. What per cent of operating expenses and taxes did you assign to mail?

Mr. BOWMAN. That would show better from the table. I do not think I have the calculation made.

Mr. LLOYD. It may be obtained from the table, but I did not know but what you had it. It would be such part as $936,976 bears to $42,217,789.

Mr. BOWMAN. Yes.

Mr. LLOYD. It would be a little over 2 per cent?

Mr. BOWMAN. A little over 2 per cent; yes, sir.

Mr. LLOYD. You assign to other passenger-train service $18,681,412, which would be about 40 per cent?

Mr. BOWMAN. It is more than 40 per cent. It is 45.

Mr. LLOYD. Can you tell me why you made the assignment of 2 per cent to mail?

Mr. BOWMAN. Because, having divided the expenses between passenger and freight train service, the two classes, we found that the mail service represented, as shown on page 183 of our full report, about 4.8 per cent of the car-foot mileage in the passenger train service.

Mr. LLOYD. What relation does that bear to the assignment of 2 per cent?

Mr. BOWMAN. Four and eight-tenths per cent of the passenger train cost is equivalent to that 2 per cent, approximately, of the total of the passenger train costs and freight train costs, which were divided on the basis of actual incidence or of calculated incidence based on relative data.

Mr. LLOYD. In your estimate here, you ascertain that the freight on that system is carried at a loss and the passenger traffic at a profit?

Mr. BOWMAN. It must be; yes, sir.

Mr. LLOYD. And the profit on other passenger service is practically the same as the loss on mail service?

Mr. BOWMAN. It is very close.

Mr. LLOYD. Then, using mail as a part of the passenger service, the passenger service was carried practically without loss, while the freight was carried at a heavy loss, including the mail?

Mr. BOWMAN. The passenger-train service, mail, express, and passenger, did work out very closely.

Mr. LLOYD. But there was a very large loss on the carriage of freight?

Mr. BOWMAN. A large loss on the carriage of freight.

Mr. LLOYD. Generally it must be said that there is more money on carrying freight than there is on carrying passengers. Have you had any other source of information to indicate that there was more money made on passenger service than on the freight service by the railroads of the country?

Mr. BOWMAN. I do not quite understand your question.

Mr. LLOYD. Have you had any other information from any other railroads, or from any other source, to carry out the idea that there is a profit on passenger service and a loss on freight service in the railroad business of the United States?

Mr. BOWMAN. I think that is an exceptional condition; it is a condition that goes with a very dense population, and the natural consequence, high valuation of terminals. Freight terminals include enormous areas, and if the valuation of land in these areas is very high; in other words, if the land is in congested portions of the cities, the terminal costs of handling the freight that comes in through the fair return on the property required become a very large factor indeed, and practically absorb most of the profit that would otherwise be made.

The CHAIRMAN. In your tables, in your summary of your large report, as I read these things, you say the excess of value of service over revenue shows a $700,000 loss in mail service, over $5,500,000 loss in freight service, and a total of over $5,500,000 in the entire service, and a profit of $734,000 plus in the passenger service other than the mail service. How do you pay dividends of 8 per cent on the stock?

Mr. BOWMAN. For the reason that a large amount of the stock that has been issued has been issued at a premium for which no capital liability exists. In the second place, half of this property is not represented by any capital value in this company's accounts. It is leased property, and the return on that investment is the profit the company is entitled to by virtue of having guaranteed outright this rental to the true owners, a rental which is low compared to what those owners were originally entitled to receive.

The CHAIRMAN. You mean the Boston & Providence, 7 per cent, and the Old Colony, 7 per cent, and the other lines. After all, the information which you submit in your summary is predicated on your own method of adjustment of operating expenses and revenues, is it not?

Mr. BOWMAN. Of operating expenses and revenues, yes, but no consideration is taken of the actual financial charges that were incurred by the company.

The CHAIRMAN. But not according to your own statement, unexplained, where the New Haven is paying dividends that it is not earning.

Mr. BOWMAN. The New Haven road does not have to pay out in cash the fair return on the property used that is quoted here.

The CHAIRMAN. It pays cash for its dividends?

Mr. BOWMAN. It is owing to the fact that this company, instead of paying dividends in past years has chosen to reinvest this money in the property, and is required to pay no return on it in the first place. In second place, more than half of the property is not represented by any dividend payments whatever; it is leased property under which there is no capitalization included in the New Haven balance sheet. The stockholders of the New York, New Haven & Hartford road are entitled to extra compensation for having assumed its properties and operating them.

The CHAIRMAN. But those are arbitrary allowances which you made as calculations for business shrewdness and foresight?

Mr. BOWMAN. No. I think it has the right to secure a fair return on the investment as taken over by the New Haven Co. from these other companies under the lease.

The CHAIRMAN. Do you make any computation as to the revenues received in railway mail pay from the Government, and the actual cost of the operation and hauling of the mail?

Mr. BOWMAN. The first item in here, operating expenses and taxes, is supposed to be the actual cost as nearly as can be ascertained, of the handling of that mail, $936,976, for the year ending June 30, 1910.

The CHAIRMAN. Then the loss under that method of computation would be the difference between these figures and the $645,572 that the system receives from the Government in railway mail pay.

Mr. BOWMAN. Yes, sir.

The CHAIRMAN. The apparent loss at the bottom, excess value of service over revenue, is a deduction based on autocratic charge on capital account in your computation, is it not?

Mr. BOWMAN. I do not like to call it autocratic.

The CHAIRMAN. Well, arbitrary.

Mr. BOWMAN. It is arbitrary in a sense, but on the other hand the value of the property that is used in operation is known in this case case very accurately. When I say "very accurately" I mean relatively. We will say it is within 2 or 3 per cent of what is the true value of that property, as nearly as may be estimated. The rate at which that return has been taken is 6 per cent on this depreciated valuation. The result is a figure that is arbitrary in itself, but at the same time it is a minimum figure because we do not see how any method of computation could arrive at a smaller figure as a fair return.

The CHAIRMAN. Is this interpretation of your statement for the year ending June 30, 1911, a fair one? You show operating expenses and taxes for the mail service of $944,217, and you show actual revenue from transportation, $646,846. Would not the difference between these two statements represent the actual loss to the New York, New Haven & Hartford road based on a computation of operating expenses and taxes and actual revenue received from that?

Mr. BOWMAN. Based as you have stated; yes.

The CHAIRMAN. The loss you show of $728,943 takes into consideration capital charges which, in your judgment, the conditions warrant and are just and fair?

Mr. BOWMAN. Perhaps I might put it in another way. It takes into consideration the fact that the Post Office Department should pay for the use of this enormous property that is at their disposal for the transportation of mail, as well as for the actual cost of carriage over the facilities.

The CHAIRMAN. Which you estimate should be a value to the Government of the difference between the actual loss sustained on the two sets of figures I have mentioned and the difference of the amount which you state, in your judgment, is a fair return on the value of the property used.

Mr. BOWMAN. A fair return on the value of the property used is the difference between our excess value of service and the figures which you arrive at as the operating loss, subject to this secondary revenue which has to be considered with a fair return on the value.

The CHAIRMAN. Then the actual loss would be the difference between a fair return on the value of the property used and the excess of value of service over revenue, that difference being, namely, $197,941?

Mr. BOWMAN. I am afraid I am getting a little bit lost in this.

The CHAIRMAN. What do you figure your actual loss—the difference between $944,277 and $646,846?

Mr. BOWMAN. That is the operating loss.

The CHAIRMAN. What is your distinction between actual and operating loss?

Mr. BOWMAN. The actual loss is the loss after consideration is given to the use of all of these facilities.

The CHAIRMAN. What do you allow as a compensation for the use of these facilities? Is that estimated on the 6 per cent basis?

Mr. BOWMAN. Six per cent on the depreciated costs of reproduction.

Mr. LLOYD. I understood you to say also that you charged up something for cars not used but prepared and ready for use?

Mr. BOWMAN. I do not recognize that statement. I did not intend to make any such statement. I do not know just what you refer to.

Mr. LLOYD. I so understood you, that you thought something should be charged for this equipment that is required in the Railway Mail Service, which at different times might not be used, but capital was invested in it, and it was part of the investment of the railway company for which compensation should be received.

Mr. BOWMAN. I was not aware that I had gotten into that question at all.

Mr. LLOYD. If you do not intend it so, do not follow the question now, except I would like to know whether you did take that into account or not.

Mr. BOWMAN. I did not take it into account, for the simple reason the condition does not exist.

Mr. LLOYD. You mean the mail cars are used all the time?

Mr. BOWMAN. I believe that all of the cars equipped for mail service on the New Haven road are practically in use.

Mr. LLOYD. Did you take into account the passenger coaches that might be prepared and ready for use, but might not be used by the company?

Mr. BOWMAN. Yes. All of the passenger equipment was taken into consideration. If there was any such principle as that applied it would have worked against the mail service so as to reduce the cost of the mail service.

Mr. WEEKS. Has the New York, New Haven & Hartford road equipment enough to perform the service?

Mr. BOWMAN. The mail service?

Mr. WEEKS. All of its service?

Mr. BOWMAN. I believe so.

Mr. WEEKS. Has it freight cars enough?

Mr. BOWMAN. I do not know about the freight cars. It is very easy to draw on other roads for freight cars, and vice versa.

Mr. WEEKS. What do you mean by "depreciated costs"?

Mr. BOWMAN. The cost to reproduce new, less a depreciation to cover athe wear and tear in its present condition.

Mr. WEEKS. For how long a time?

Mr. BOWMAN. On the basis of the present condition of the facilities at the time the engineering work of the appraisal was done. That was done three or four years ago, but that average condition may be regarded, broadly speaking, as being maintained, because where one thing has been replaced another thing has gotten a little bit older.

Mr. WEEKS. What percentage of your total operating expenses and taxes does the $944,217 charged to mail service, under your statement for the year ending June 30, 1911, represent to all the operating expenses and charges?

Mr. BOWMAN. That question I was answering previously in connection with the previous year. It is the percentage of $944,000 to $44,476,000, as shown in that table.

Mr. WEEKS. What percentage of your total operating expenses and taxes, in your statement, do you charge to mail service?

Mr. BOWMAN. No particular percentage. The percentage is what it works out.

Mr. WEEKS. Can you tell us what that is?

Mr. BOWMAN. Approximately 2 per cent.

Mr. WEEKS. Then in a fair return on the value of the property used, you make the same percentage charge to the Railway Mail Service all the way through in this table?

Mr. BOWMAN. Not quite, no.

Mr. WEEKS. Why do you make a difference?

Mr. BOWMAN. It is dealt with in this pamphlet in some place. There is an allowance made in the matter of equipment.

Mr. WEEKS. It would be hardly appreciable on a percentage basis, would it?

Mr. BOWMAN. It is a very large amount. The equipment is not at all regarded as proportional to the expenses.

Mr. WEEKS. How about your classification of secondary revenues incidental to but not direct compensation for transportation?

Mr. BOWMAN. That is direct assignment.

Mr. WEEKS. Your percentage charged to the mail would be corresponding to the percentage charged to the mail under operating e penses and taxes?

Mr. BOWMAN. No. The percentage of the total passenger charge to the mail is the same, but the percentage of the total is not the same. The subdivision between passenger and freight service in that case was actually according to the character of the revenues. They were distinguishable.

Mr. WEEKS. Then your statement for the year ending June 30, 1911, under your computation here, as to operating expenses and taxes, taking that as a factor only, and your revenues received from transportation would show a direct loss of $297,371 to the New York, New Haven & Hartford system for that fiscal year, eliminating any returns on capital allowance.

Mr. BOWMAN. Yes, sir.

Mr. WEEKS. Is your firm chartered accountants for other railroad systems?

Mr. BOWMAN. Our firm has done professional work for, I imagine, about one-third of the mileage of the United States.

Mr. WEEKS. Do you find in your work for these other systems a similarity or a distinct difference between the other roads and the New York, New Haven & Hartford, so far as this particular item of percentage of railway-mail pay is concerned, as compared with revenue?

Mr. BOWMAN. I have not made those calculations of mail service for any other railroad excepting the New Haven.

Mr. WEEKS. Is there a general, universal system in the way of determination of railroad accounts, according to your experience?

Mr. BOWMAN. By which the accounts of the road may be based?

Mr. WEEKS. Yes.

Mr. BOWMAN. I do not think so. It would be a general-average rule, but subject to a very great variation and must always be left open to special interpretation.

Mr. WEEKS. Then you simply audit the accounts of the different transportation companies based on their system of accounting and not on your own?

Mr. BOWMAN. Their system of accounting is rather limited by the Interstate Commerce Commission's requirements, and it takes a general uniformity. In order to carry the accounting system beyond that required by the Interstate Commerce Commission and make it a cost system, there must be allowed leeway for variation from those rigorous rules of the Interstate Commerce Commission, because they will not apply.

Mr. WEEKS. Do you audit according to the system used by the different companies or according to your own system applicable to all?

Mr. BOWMAN. Our purpose in auditing, as a rule, is to secure true financial statements that are true to the stockholders and the financial investors.

Mr. WEEKS. But your audit is based on the system in vogue for the company for whom you are auditing and not your own?

Mr. BOWMAN. Not our own; no, sir.

Mr. WEEKS. Does the New York, New Haven & Hartford road own freight terminals in New York?

Mr. BOWMAN. Yes, sir.

Mr. WEEKS. How do you get at the value of those terminals, or how was it done when the valuation of the property was made?

Mr. BOWMAN. The New York terminals were very largely taken at actual cost in recent years.

Mr. WEEKS. What do you mean by that? Those terminals must have been acquired, or parts of them, a great many years ago.

Mr. BOWMAN. The greater portion of that investment is an investment of recent creation; I should think within the last 10 years.

Mr. WEEKS. Let us take the passenger terminals at New York and assume that the New York, New Haven & Hartford road owns the Grand Central Station. How would you get at that value?

Mr. BOWMAN. I did ascertain the value of the Grand Central Station property. Generally it would be the cost to reproduce all of the improvements that constitute that terminal.

Mr. WEEKS. How did you figure the land?

Mr. BOWMAN. The land at its present valuation, based on the present value of surrounding and adjacent property. We do not figure a multiple in that at all. The western commissions have allowed a multiple on account of the excessive cost that the railroad has to pay for land.

Mr. WEEKS. Is that a fair valuation?

Mr. BOWMAN. Which? With the western idea?

Mr. WEEKS. No. Based on the value of the surrounding property. Is not the property worth more than it would be if the railroad was not there?

Mr. BOWMAN. I think, in the first place, the property adjacent to a railroad is worth less than it would have been if the railroad was not there, assuming that the district had railroad facilities. I think that the railroad tends to depreciate the value of surrounding property, rather than to increase it.

Mr. WEEKS. It does for some purposes.

Thereupon, at 1.30 o'clock p. m., the committee took a recess until 8 o'clock p. m.

AFTER RECESS.

The committee met after recess, at 8 o'clock p. m.

Present: Senator Jonathan Bourne, jr. (chairman), Representative James T. Lloyd, Representative William E. Tuttle, jr., and Representative John W. Weeks.

## STATEMENT OF MR. JOHN HALL BOWMAN—Continued.

The CHAIRMAN. When we took our recess this afternoon we had under consideration the tables in your summary, entitled "A Brief Memorandum of the Results of an Investigation made by Price, Waterhouse & Co., Chartered Accountants, which are described fully in the report to C. S. Mellen, president, under date of October 31, 1912." What elucidation would you be able to make in reference to that summary where, under the item "Excess of value of service over revenue," you show an excess of value in the mail service, a large excess of value in the freight service, a small excess of revenue in the passenger service, and a total excess of value over revenue in all service, the query being as to how you would be justified in paying dividends under such a presentation. Would you kindly explain that for the information of the committee?

Mr. BOWMAN. The explanation might be made in this manner: The actual fixed charges and dividends are shown in the income accounts of the company attached to the full report as Exhibit 1.

The CHAIRMAN. Could you not, without reference to a long report, containing some one hundred and eighty odd pages, give a brief explanation as to that?

Mr. BOWMAN. I am going to do that.

The revenues actually received on all traffic yielded about 5 per cent on the depreciated value of the property used in operation. Such a rate was adequate, as may be seen from the reports, to pay, along with the income from activities other than railroad operation, the interest and rental charges for which the company was obligated and to leave a little more than 8 per cent in 1909–10 and a little less than 8 per cent in 1910–11 on the outstanding capital stock. Inasmuch as the value of the property is vastly greater than its capitalization, owing to the issue of the stock at large premiums and to the expenditure of important sums out of income or surplus for capital purposes, and inasmuch as the fair return on the values of the leased properties is in general much greater than the rentals paid, it naturally follows that the full return would if earned justify an increase of stock that would bring the capitalization to an amount more nearly approaching the true value of the property.

The CHAIRMAN. Your annual statement shows that you earned about 8 per cent on the stock?

Mr. BOWMAN. About 8 per cent.

The CHAIRMAN. What would you have earned on this stock if, under this statement referred to by me in the interrogatory on the resumption of the hearing this evening, you had broken even on the freight service or the total service? What dividends could you have paid on the stock or would you have shown as earned on the stock?

Mr. BOWMAN. About 10 or 11 per cent.

The CHAIRMAN. Instead of the 8 per cent?

Mr. BOWMAN. Instead of 8 per cent; yes.

The CHAIRMAN. As I understand, referring again to statements in your summary for the years 1910 and 1911, the items "Fair return on value of property used" are based upon the value of the property determined by you, which is about $20,000,000 less than what the commission of Massachusetts allowed as the physical valuation of the property of the New York, New Haven & Hartford system. Is that right?

Mr. BOWMAN. It is less by a greater amount—the valuation used for the New York, New Haven & Hartford property.

The CHAIRMAN. Based on the whole system or the company proper.

Mr. BOWMAN. Based on all property operated by the New York, New Haven & Hartford Co.

The CHAIRMAN. What is this statement based on?

Mr. BOWMAN. All property operated by the New York, New Haven & Hartford Railway Co., included in its income.

The CHAIRMAN. Does this cover the returns of the aggregate of 7,000 miles or the return of the 2,000 miles of the New Haven Co.?

Mr BOWMAN. The return of the 2,000 miles.

The CHAIRMAN. What is the stock and bonded indebtedness of that amount, of about 2,000 miles, or the New Haven system proper, as I think you designate it?

Mr. BOWMAN. The capital indebtedness of the New Haven system is $424,000,000, as of June 30, 1911.

Mr. TUTTLE. That is the system?

Mr. BOWMAN. That is the operating system.

Mr. TUTTLE. What is the mileage of that?

Mr. BOWMAN. Two thousand and forty-one miles of first track.

Mr. TUTTLE. That is the New York, New Haven & Hartford Railroad?

Mr. BOWMAN. Yes, sir.

Mr. TUTTLE. You say the bonded and stock indebtedness is what, on the New Haven proper?

Mr. BOWMAN. $424,221,292.98.

The CHAIRMAN. How do you get cents and odd dollars on the stock and bonded indebtedness on a computation at par?

Mr. BOWMAN. The cents come in in the form of capital obligations that are not represented by bonds or mortgages, but the payment of which is deferred.

The CHAIRMAN. Those are rentals?

Mr. BOWMAN. No; they are not rentals.

The CHAIRMAN. Borrowed money, or accounts payable?

Mr. BOWMAN. It is liability for property used in operation and taken over—equipment, and things of that kind.

The CHAIRMAN. Eliminating all of that, what is the total bonded indebtedness and the total stock indebtedness of the New Haven system; that is, the New York, New Haven & Hartford Railroad Co.?

Mr. BOWMAN. The bonded indebtedness and stock indebtedness would be $474,803.98 less than the amount I stated.

The CHAIRMAN. As against the four hundred and twenty-four odd million dollars bonded and stock indebtedness at par, what is your physical valuation as determined under your own figures, which, as I understand from the vice president, Mr. Buckland, is less than the amount allowed or accredited to you by the Massachusetts validation commission? What was the valuation allowed by this commission on the property of the New York, New Haven & Hartford Railroad Co.?

Mr. BOWMAN. The date of the validation was June 30, 1910, a year prior to the date that I gave you those figures. At that date the total liabilities validated was $394,147,563.63. The cents included at that time are not due to the same item I included before. I do not know what this item represented without some reference. The odd cents there were due to installments for stock in the course of issue. The valuation of the corresponding properties and securities shows an excess over that amount of $101,612,074.38.

The CHAIRMAN. Am I to understand that the validation commission under their allowance simply gave you a net credit of $101,000,000 as against four hundred and twenty-four odd millions of dollars of bond and stock issues? What I want to get at is what allowance did this validation commission give the New York, New Haven & Hartford Railroad system for the physical valuation of all their property?

Mr. TUTTLE. Did this commission value the property in other States?

Mr. BOWMAN. No; the engineers who were employed by the commission, Stone & Webster, have done a great deal of valuation work.

Mr. TUTTLE. Have they valued property in the other States in which this system runs?

Mr. BOWMAN. Yes. The commission took over all the New York, New Haven & Hartford properties wherever they might be.

Mr. LLOYD. Leased lines and all?

Mr. BOWMAN. They did not cover the leased lines. It was only the property owned by the New York, New Haven & Hartford. They were establishing a validation of assets. The valuations that were dealt with here in our report are the valuations of property used in operation, whether owned or whether rented.

The CHAIRMAN. Then the data upon which you base these two tables is on the property rented, owned, and operated properties, by the New York, New Haven & Hartford system?

Mr. BOWMAN. Yes, sir; but not controlled and independently operated. These are not touched at all.

Mr. LLOYD. What roads are controlled and independently operated?

Mr. BOWMAN. The New York, Ontario & Western, for example.

The CHAIRMAN. What roads are owned and directly controlled by the New York, New Haven & Hartford?

Mr. BOWMAN. And included in the operation? The only one I remember outside of the New York, New Haven & Hartford is the Harlem River & Port Chester.

The CHAIRMAN. What roads are owned and directly operated by the New York, New Haven & Hartford?

Mr. BOWMAN. The New York, New Haven & Hartford proper and the Harlem River & Port Chester.

The CHAIRMAN. The Boston & Providence?

Mr. BOWMAN. The Boston & Providence is a leased line.

The CHAIRMAN. What we have to find out is upon what company's property, according to my idea, Mr. Bowman makes the return under the heading of "Fair return on value of property used." What I would like to know is what the general stock and bonded indebtedness is of these companies on whose properties you make an estimate of fair return on value of property used?

Mr. BOWMAN. I do not think we have that available.

The CHAIRMAN. But you must know upon what data and terms you draw a conclusion to make a specific statement that under the heading "Fair return on value of property used," your system should receive $25,000,000?

Mr. BOWMAN. That $25,000,000 is derived entirely from valuation.

The CHAIRMAN. It is a physical valuation?

Mr. BOWMAN. Yes.

The CHAIRMAN. Of what property?

Mr. BOWMAN. Of the New York, New Haven & Hartford property itself and the following leased lines: The Old Colony Railroad, the Boston & Providence Railroad, Providence & Worcester Railroad, Norwich & Worcester Railroad, Harlem River & Port Chester Railroad, Holyoke & Westfield Railroad, Providence, Warren & Bristol Railroad, the Plymouth & Middleboro Railroad, and the Chatham Railroad; of certain properties operated jointly of which a percentage of the valuation corresponding to the use was taken, part of the New

York & Harlem River Railroad tracks from Woodlawn to Grand Central Station, New York; use of the Grand Central facilities, South Station facilities at Boston, use of certain tracks between Sterling Junction to Worcester, Hopewell Junction to Poughkeepsie, Shelburne Junction to Shelburne Falls, and the use of station facilities at Springfield, One hundred and twenty-fifth Street Station (New York), New London, Worcester, and various minor points.

The CHAIRMAN. The valuation for the joint usage of those tracks and these facilities is an arbitrary valuation made by you, or by this Massachusetts Commission?

Mr. BOWMAN. The Massachusetts Commission figures we can only compare in the case of the New York, New Haven & Hartford proper, which constitutes the greatest portion, as it happens, of the total valuation of the properties.

The CHAIRMAN. Given the valuation of this property, what percentage or sum did you arbitrarily make as a fair return in order to obtain your figures under the total column of $25,0000,000 plus?

Mr. BOWMAN. I do not think we made any percentage of it arbitrarily. The valuations that were used when the complete valuations were not available were either cost or they were a figure known to be absolutely safe within the cost or present value.

The CHAIRMAN. It seems to me my question is very simple and easily answered. How do you get your $25,000,000, which you say is a fair return on the value of property used? You say you ascertained the value of the property. What do you estimate and determine is a fair return on that valuation; if your property is $1,000,000,000, what is this percentage, 6 per cent, 1 per cent, 5 per cent, or what? How do you get the $25,000,000?

Mr. BOWMAN. That is 6 per cent on values that were arrived at.

The CHAIRMAN. Then presumably the total valuation of these properties directly owned and operated and in which you had equities or joint interests, represented a capitalization, which, computed on the 6 per cent basis would be 16 times as great as this $25,000,000. Is that it?

Mr. BOWMAN. Yes, sir.

The CHAIRMAN. The item "Operating expenses and taxes" was derived upon taking the total operating service or cost of all the different companies described by you in your previous answer and arbitrarily computing the 2 per cent of that aggregate as the operating expense of the mail service. Is that right?

Mr. BOWMAN. No, sir; that is not stated correctly. In the first place the total operating expenses are the operating expenses of the New York, New Haven & Hartford Railroad proper, precisely as expended. The other companies had no operating expense because they were all operated by the New Haven Co. In the second place the subdivision worked out to 2 per cent or thereabouts, but is is done by a system of subdivisions that is based on minute study and the best judgment, item by item throughout.

The CHAIRMAN. Had you determined that the percentage was 1 instead of 2, you would have shown a slight profit instead of a loss in the actual expense of the mail service, would you not?

Mr. BOWMAN. No. If that had been one instead of two——

The CHAIRMAN. That would have been the case in the year 1910?

Mr. BOWMAN. It would have shown a slight operating profit, but not an actual profit.

The CHAIRMAN. You have not a statement of any one of the various systems operated by the operating company segregated, so that you could show what the capital indebtedness is, cost of operation, and the physical valuation, and the deductions made on that one segregated unit of the whole system, have you?

Mr. BOWMAN. The operations are not kept separate for these different units. The operations are all one for the system, and there are no statistical or other records kept of the individual operations.

Mr. LLOYD. Does the system include the independent lines?

Mr. BOWMAN. No, sir. We are not dealing with any lines that have independent operations.

Mr. LLOYD. None at all?

Mr. BOWMAN. No. Excepting the New Haven itself.

Mr. LLOYD. As I understand from these two tables in your summary for the years 1910 and 1911, you show an actual loss in the mail service to the New York, New Haven & Hartford system of $291,404.

Mr. BOWMAN. Yes, sir; an operating loss of that amount.

Mr. LLOYD. That is arrived at by taking the actual operating expenses, plus taxes, of the entire system and figuring a percentage a little less than 2 per cent of that as charged against the mail service of the system. Is that it?

Mr. BOWMAN. Yes, sir.

Mr. LLOYD. That little less than 2 per cent is a charge arbitrary in its nature, but based upon the best known methods in railroad accounting?

Mr. BOWMAN. Yes, sir.

Mr. LLOYD. Agreeing with the method of accounting suggested by the Post Office Department in its letter to you, answers to which were the basis for what is known as House Document No. 105 with a 2 per cent variation between your own method and the method of the Post Office Department.

Mr. BOWMAN. It has the result in net.

Mr. LLOYD. Now you claim that you have actually suffered a loss by insufficient compensation from the Government for railway mail pay, including R. P. O. service, of $743,035 for the fiscal year ending June 30, 1910, that claim being based upon a 6 per cent allowance, which from your viewpoint you should be credited with on the physical valuation of the properties engaged in the activities that you have with the United States Government, such valuation being determined by the board of railroad commissioners, the tax commissioner, and the bank commissioner—the special board appointed by the Massachusetts Legislature. Is that right?

Mr. BOWMAN. No, sir; that is not correctly stated.

Mr. LLOYD. Then will you make a correct statement?

Mr. BOWMAN. It is correct, excepting for the valuation, which is not that of the Massachusetts Validation Commission but is a valuation which was in large part restudied by them and is covered by their report, the part which they studied being shown to be undervalued by them to the extent of some $20,000,000.

Mr. LLOYD. Then, this question that I have put applies to the valuation made by the New York, New Haven & Hartford system of its own?

Mr. BOWMAN. Yes.

Mr. LLOYD. Which, as I understand from the previous answer, was some $20,000,000 less than what this commission I have just referred to allowed you?

Mr. BOWMAN. Yes, sir.

Mr. LLOYD. So that you would show a still further loss on the 6 per cent basis on the valuation if you took the valuation allowed by this commission instead of your own valuation?

Mr. BOWMAN. Yes, sir.

Mr. LLOYD. Or $120,000 added to this?

Mr. BOWMAN. Yes, sir.

Mr. LLOYD. Is it true that the public which has been served by the New York, New Haven & Hartford Railroad has not received by $5,595,088 for the year ending June 30, 1910, of the amount that it actually expended in improving the service which it did render?

Mr. BOWMAN. No, sir. The return over and above the expenditures for that year was less than the amount to which it may be regarded as fairly entitled by that amount of $5,595,088.

Mr. LLOYD. Then, as a matter of fact, the Government for handling the mail should pay the New York, New Haven & Hartford $743,035 in order to make a reasonable compensation, but it is not necessary for the public served otherwise to pay the $5,595,088?

Mr. BOWMAN. The situation in regard to freight service is not hardly under consideration, is it? We have not given consideration in our report as to what the status of the freight service was.

Mr. LLOYD. You have a statement here in which you say "Excess of value of service over revenue" was $5,586,088, and you place it exactly on the same basis as the mail service. Here is shown a loss in the mail service of $743,035 and a loss in the freight service of $5,586,727.

Mr. BOWMAN. There is a question that enters into the freight service and that is the value to the shipper. It is possible that the value of the service is less than a fair return on the value in the case of freight. We do not think that such a condition can conceivably exist in the case of the mail service. The value of the service to the Government is incalculable and there is no basis for getting at it, but it is certainly not a service that can be regarded as not able to bear a fair rate of charges.

Mr. WEEKS. Let me assume that the physical valuation is $425,000,000 and you are figuring that you should earn 6 per cent on that valuation. That would amount to $25,500,000. Based on that figure your operations show that you lost five and one-half million dollars, in round numbers, in other words, you earn $20,000,000. I think these figures are substantially correct, but assuming that they are correct, in 1909 you had outstanding $240,000,000 of bonds and $100,000,000 of stock; on the bonds you were paying 4 per cent, or $9,600,000, and on the stock you were paying 8 per cent, or $8,000,000, making a total of $17,600,000. That left a surplus of $2,400,000 in the operations of the road to pay the leased charges or whatever other charges you had to pay, but certainly showed in the net result that the New York, New Haven & Hartford Railroad would make enough to pay 8 per cent on its capital stock?

Mr. BOWMAN. Yes, sir; that is correct.

Mr. WEEKS. Does not that illustrate why you show a deficit of $5,500,000, based on your valuation, and at the same time show why you were able to pay your interest charges and show a dividend of 8 per cent on your capital stock outstanding.

Mr. BOWMAN. Yes. If the full amount had been earned it would have made it possible for the company to have enlarged the capitalization to a point that would more nearly have covered all the property that it actually possessed.

Mr. WEEKS. Let us assume that in that year you earned 6 per cent on your valuation, or $25,500,000. That would have been 4 per cent on your bonded debt and 16 per cent on the capital stock.

Mr. BOWMAN. Yes; on those figures.

Mr. WEEKS. Does not that absolutely illustrate why you are able to pay an 8 per cent dividend, and have been, and at the same time show a deficit in operation based on your valuation figures.

Mr. BOWMAN. That illustrates it perfectly.

Mr. LLOYD. If that is a correct hypothetical statement, then the fair return on the value of the property used in the mail service for the year ending June 30, 1910, includes the payment on all bonds and 8 per cent interest on the capital stock.

Mr. BOWMAN. And a very low rental on very many properties, a normal rental on others. It contains the only provision that is made for abandoned property further.

Mr. WEEKS. If the interest was not paid and the 8 per cent dividend was not paid and only actual operating expenses and taxes were taken into the account, what would be the loss?

Mr. BOWMAN. About $20,000,000, if I understand you correctly.

Mr. WEEKS. What would be the loss on account of mail?

Mr. BOWMAN. On mail service about $291,000.

The CHAIRMAN. $291,000 for the fiscal year 1911?

Mr. BOWMAN. Yes.

Mr. LLOYD. If you had fixed 1 per cent of the total operating expenses and taxes as the amount that should be met by mail service, there would have been a profit made in carrying the mail, would there not?

Mr. BOWMAN. One per cent would not have been enough to have made a profit.

Mr. LLOYD. You fix nearly 2 per cent, or about 2 per cent. Suppose that somebody else in making the ascertainment would have fixed it at 1 per cent. In that event there would have been a profit for carrying the mail, would there not?

The CHAIRMAN. Under that method of apportionment, there would have been an operating profit in the year 1910 of $177,094, or debit to the mail service.

Mr. LLOYD. In order to show that you are correct it would be a fine thing if you could make a perfectly plain statement that the 2 per cent is the proper amount chargeable on account of the mail service. I am not saying you have not done so.

The CHAIRMAN. If you will permit me to interrupt you just there, Mr. Lloyd, if I correctly understood Mr. Bowman, he claims that his method of ascertainment as to the charge, practically a little less than 2 per cent, is in accordance with the Postmaster General's method of ascertainment for the percentage to be charged to the mail, with a difference of 2 per cent in the two methods—Mr. Bowman's method

as indicated here and the Postmaster General's method as indicated in interrogatories which led to what is known as Document 105—a variation of 2 per cent only in the net results obtained by the application of the two methods.

Mr. LLOYD. What I am aiming to get at is this: Is it not true that the determining factor as to whether there has been a profit or a loss for carrying the mail depends very largely upon the per cent that is chargeable for carrying the mail?

Mr. BOWMAN. The present per cent of the total expense?

Mr. LLOYD. Yes.

Mr. BOWMAN. Yes; that is the whole thing.

Mr. LLOYD. As I understand, you are a specialist in accounting?

Mr. BOWMAN. Yes, sir.

Mr. LLOYD. And you do not claim to be in transportation matters?

Mr. BOWMAN. No; except that I have been engaged in railroad accounting during the greater part of the last 15 years.

Mr. LLOYD. Would you feel qualified to pass upon the question of the desirability of the substitution of space for weight as the determining factor for the measure of the service rendered?

Mr. BOWMAN. No, sir. I would like to read a short extract from the full report bearing on that question, which is found on page 169 entitled "The choice of methods for separating the cost of passenger-train service":

The several classes of passenger-train traffic are commonly handled in the same trains, though trains exclusively for passengers, mail, or express are also to some extent hauled. The manner of running the exclusive trains differs, however, so little in any respect pertinent to this inquiry from that of the common trains that there is no advantage to be gained by attempting to deal with them separately.

The basis of subdivision is to be found in some common dimension or measure that is applicable to each class. The measures of this character that call for consideration are:

1. Weight of cargo.
2. Weight of car.
3. Combined weight of car and cargo.
4. Cubic space in car.
5. Floor space in car.
6. Inside length of car.

The weight of the cargo is less than 10 per cent of the weight of the cars themselves, and as passenger-train cars are rarely loaded to capacity, increasing the cargo would not in all probability noticeably increase the dead weight, while, on the other hand, dead weight might be substantially increased to meet public demand for additional train service without corresponding increase in the cargo. It is obvious that this measure is not adequate.

The weight of the car is inadequate also for reasons analogous to those just cited in regard to cargo weight.

The combined wieght of car and cargo has a much stronger claim to consideration. If it could be ascertained for each of the three classes it would provide an admirable measure. Unfortunately it requires the use of too many arbitraries:

1. The weight of the passengers and their baggage.
2. The weight of the express matter.
3. The weight of the pouch mail.
4. The weight of mail in R. P. O. or apartment cars.

The weight of exclusive cars could be dealt with adequately after some labor, but the weight of that portion of common cars used for pouch mail service and for part of the express service would of necessity be arbitrary.

The lack of information in the respects mentioned is not due to mere failure to gather data but to impossibility of doing so in some cases and impracticability of doing so in others. This measure must therefore be discarded as a working measure but kept in mind as a sound one in theory.

The cubic space in the car differs in no important respect as a measure from the floor-space basis, inasmuch as the variations in height do not affect the capacity of

a passenger-train car except in the case of the express or baggage car. The tendency is toward standard height.

The floor space in its turn is proportional to the inside length, inasmuch as the cars are of practically standard width. Linear car feet therefore measure for practical purposes the cubic or the square space as well as the length and may be considered as proportional to the other two.

I think there is some light, perhaps, on that subject.

The CHAIRMAN. That is very illuminating, indeed, and I infer from same that you believe that space, as measured by linear car-foot measure, is far more scientific than weight as the measure of service rendered in mail transportation?

Mr. BOWMAN. I do, owing to the enormous percentage of dead weight.

The CHAIRMAN. You concur then with the Post Office Department's views as presented on that particular phase of the question in Document No. 105?

Mr. BOWMAN. Fully.

The CHAIRMAN. Is this conclusion of yours based on your experience with the New York, New Haven & Hartford system, or on the experience your firm has had with practically one-third of the railroad mileage of the United States?

Mr. BOWMAN. This is based on all of the experience that I have accumulated, personally, perhaps, rather than the firm's experience, because I largely wrote this myself.

The CHAIRMAN. You think then that the linear car foot should be the basic measure upon which the question of railway mail pay must rest fundamentally?

Mr. BOWMAN. That is my opinion.

The CHAIRMAN. You eliminate weight entirely except so far as the pouch service is concerned?

Mr. BOWMAN. Eliminate weight for the reason that it introduces factors that are impossible of accurate determination. Combined weight of car and cargo furnishes a very excellent method, but it is impracticable.

The CHAIRMAN. But the only way weight would enter into the problem at all would be the linear foot space occupied based upon the supposed weight of a pouch of mail?

Mr. BOWMAN. Yes, sir.

The CHAIRMAN. It would be space?

Mr. BOWMAN. Space.

Mr. WEEKS. Do you know how much a steel car 60 feet long weighs?

Mr. BOWMAN. Not accurately, but something like 100,000 pounds or over.

Mr. WEEKS. Do you know how much the mail, if that car were a storage car and were filled with mail, would weigh?

Mr. BOWMAN. I know nothing about the weight of mail, excepting the information elicited at the Walcott commission's inquiry several years ago.

Mr. WEEKS. Do you remember that figure?

Mr. BOWMAN. About two to three tons, and that was regarded as high, I believe.

Mr. WEEKS. Then the car would weigh in round numbers 45 tons and the mail not to exceed three tons?

Mr. BOWMAN. I think that would be fairly putting it in approximate figures.

Mr. WEEKS. How much would a car with a steel frame and wooden upper structure weigh, do you know?

Mr. BOWMAN. I have one class of cars here which weigh about 93,500.

Mr. WEEKS. Then a steel car would weigh more empty than the steel frame car with a wooden upper structure loaded?

Mr. BOWMAN. I believe so; yes, sir.

Mr. WEEKS. That is the basis for your contention that the percentage of weight of the mail is so small compared with the weight of equipment that it is not a good measure on which to base the pay?

Mr. BOWMAN. Yes, sir. On page 172 of the original report there are some figures with reference to the New Haven road:

> The average passenger car contained in the year to June 30, 1911, an average of 25.55 passengers when in transit. Assuming 175 pounds as the average weight of a passenger and his hand baggage, the average load would have been 4,471 pounds, or, say, 2¼ tons. The average load in the R. P. O. cars was found by the Walcott Commission to be about 2 tons, and it was believed that on this road it is less. It would seem, then, that the excess in the weight of a car was offset in part by the deficiency in weight of cargo.

The combined car and cargo of passengers and mail appear to be very close in their average.

The CHAIRMAN. Suppose space was accepted and space only, and we will say only a portion or 10 feet of the car was authorized; suppose there was an increased business and another 5 feet needed and the department simply notified the transportation company that they wanted 5 more feet. Suppose the railroad company, in order to give them that 5 feet, had to put on another car. Suppose it was a 60-foot car. In that event is the Government supposed to pay for the 60 feet, although they only use 5, and are only authorized to use 5?

Mr. BOWMAN. I think that it would be the duty of the railroad company to furnish the car necessary for that space under such circumstances in the same way that it is necessary to furnish a passenger car for passengers offered.

The CHAIRMAN. Even if they only have two passengers to go in that car and the rest of it had to go empty? In other words, is it your idea—I am not expecting you to bind the railroads in any way—if space was substituted for weight as the determining factor and authorization was made for additional space, so that only 10 per cent of the space in the additional car would be used by the Government, should the Government pay for the whole 100 per cent?

Mr. BOWMAN. Well, there are two possibilities there: If that car is a specially equipped car, I think that the Government's requisition for space should take into consideration the facilities that the railroad company has to offer.

The CHAIRMAN. How would you clear up these questions of difference between the transportation companies and the Government under the method of substitution of space for weight. Would there not always be differences and claims for readjustment on the ground such as I have indicated?

Mr. BOWMAN. It would not be necessary in the case of pouch mail to requisition for space at all. Whatever space was required by the mail that was put on the train would be necessary.

The CHAIRMAN. That is, figuring that a pouch of mail occupied so many inches of space?

Mr. BOWMAN. Yes, sir.

The CHAIRMAN. Then the space would be determined absolutely by the number of pouches that the train carried?

Mr. BOWMAN. At its maximum point.

The CHAIRMAN. Then you would have to have a weighing for the pouch mail and in order to determine the space really occupied by the pouch mail, would you not?

Mr. BOWMAN. It might be done by a count system and you could determine with weighing tests to find the average weight of pouches in that particular part of the country.

The CHAIRMAN. That is clear to my mind. I think then you would have to have a count of the number of pouches?

Mr. BOWMAN. That could be done by records. It would be a matter of counting everything that went in and out.

The CHAIRMAN. So the expense incident to weight would be eliminated by the substitution of space for weight?

Mr. BOWMAN. It would be greatly reduced, I think, in any case.

The CHAIRMAN. Would it be entirely eliminated?

Mr. BOWMAN. I do not think so.

The CHAIRMAN. Why not?

Mr. BOWMAN. Because there would have to be some sort of record or check made.

The CHAIRMAN. You would substitute space for weight?

Mr. BOWMAN. Yes.

The CHAIRMAN. In the pouch system only?

Mr. BOWMAN. In the pouch system only.

The CHAIRMAN. And the other determinations would be based entirely on authorization?

Mr. BOWMAN. No; entirely on use.

The CHAIRMAN. But your use has to be predicated on an authorization?

Mr. BOWMAN. Yes, sir.

The CHAIRMAN. But before the authorization would come the determination as to the amount of space which would be required, based on the general average of the business coming in to the Post master General?

Mr. BOWMAN. The weighing would only be necessary in that case for the department's own satisfaction.

The CHAIRMAN. Would any weighing be necessary other than the original ascertainment as to what the average weight of a pouch of mail was and what space a pouch of mail occupied? Then you would substitute count entirely for weight for the pouch mail and eliminate weight entirely in the rest of the ascertainment, would you not?

Mr. BOWMAN. I was thinking somewhat of the conditions offered by the parcels post and which I have not given consideration to and I do not know what they would be.

The CHAIRMAN. Thank you very much, Mr. Bowman.

## STATEMENT OF E. G. BUCKLAND—Continued.

The CHAIRMAN. Mr. Buckland, I want to ask you whether you attribute your losses, as shown in the summary here, the actual loss of $290,000 for each year, 1910 and 1911, based on the cost of the

operation and taxes and the receipts from the Government for railway mail pay, to the fact of the expense of the side service to the New Haven system, the quadrennial weighing, the failure to receive compensation in apartment cars, or all.

Mr. BUCKLAND. All, to a certain degree. It is particularly true of the quadrennial weighing in this particular case, because the quadrennial weighing occurred in the autumn of 1908 and for the first time in many series of weighings showed a decrease in the weights of mail carried, due, I think, very largely to the fact that we were then experiencing a period of very great depression. Of course the side service rendered is directly proportional to the number of trains which are run and the preparations for receipt and delivery as to each of these trains.

The CHAIRMAN. Which is the largest factor in making up this actual loss, according to your estimate, noncompensation for side service, noncompensation for excess or increase in the mail over the four years following the quadrennial weighing, or noncompensation for space taken but not paid for, from your standpoint, in the apartment car?

Mr. BUCKLAND. I am unable to answer that question. I have not made the analyses. May I say one or two words in conclusion.

The CHAIRMAN. Yes.

Mr. BUCKLAND. The railroads of the country, since the decision of the Supreme Court of the United States in the case of the Atchison, Topeka, & Santa Fe Railroad Co. against the United States, are left in this peculiar position, if I read that decision correctly: The railroads to-day are not by law compelled to carry the mail, excepting in the case of land-grant roads. Now, if a land-grant road is carrying the mail at less than cost, it has a standing in court in order to make a protest that its property is being confiscated; but the railroad which has not been aided by land grants is, according to the decision of the court, a voluntary carrier and has no standing in court, even though it be carrying at an actual loss. That is an anomalous condition which could only be corrected by a law which would require all railroads to carry the mail and give them all an equal standing under the law to determine whether they were being required to carry at a rate which was confiscatory. One thing more. I do not believe it is necessary for me to argue that in the case of the New England roads the weights, having been taken during the autumn of 1912 for the four years beginning July 1, 1913, an omission to give any additional weighing will require them to carry for four years and a half mail, including the parcels post, which has not been included in the weighing. That is so obviously unjust that it does not require any argument on my part to show that it is an injustice which ought to be corrected. At the present time it is the custom of the Post Office Department in taking the weights to take them without giving the railroads an opportunity to check the weights as they are taken. It is true that we have the right to weigh going on the cars and weigh coming off the cars, but we have not the right to witness the weighing done in the cars themselves. Inasmuch as upon these weights depends our revenue, it seems only the part of justice that the railroads should have the right to check those weights.

The CHAIRMAN. If you have the right to weigh going on the cars and weigh coming off the cars, why should you criticize the fact that

you have not the right to weigh in the cars? What is going to happen to the mail in the cars between the period of time when it is put on and taken off?

Mr. BUCKLAND. Nothing intentional, but there may be a mistake in the weight, and that often happens. It would seem to me, as a matter of business between the buyer and seller, that there ought to be an opportunity for both the buyer and seller to check the weight at the same time under the same circumstances.

The CHAIRMAN. Have you ever asked the privilege of having your representatives present when the mail was weighed going on the cars and coming off of the cars?

Mr. BUCKLAND. You mean in the car itself? The weight is taken in the car itself, as I understand it. We have asked them for that privilege and it has been refused.

The CHAIRMAN. The weight is taken in the car itself?

Mr. BUCKLAND. Yes.

The CHAIRMAN. You mean that the sacks are all weighed in the car at the New York Terminal and in Chicago and all those large points?

Mr. BUCKLAND. I understood that they were taken not only at the points, but taken en route.

Mr. TUTTLE. Do they weigh on the car the same items which they weigh when they are put on the cars?

Mr. BUCKLAND. I think so; yes, sir.

Mr. TUTTLE. Do those compare?

Mr. BUCKLAND. Sometimes they do and sometimes they do not.

Mr. TUTTLE. Serious differences have arisen?

Mr. BUCKLAND. Yes, sir.

Mr. LLOYD. Do they fail to correct when they find out your check indicates an error?

Mr. BUCKLAND. My impression is they rather insist upon their own weight.

Mr. TUTTLE. Is it always against the railroads, or will it average up?

Mr. BUCKLAND. Mr. Rowan, I think, could reply to that better than I. I did not wish to leave the committee with the impression that the valuation of the Joint Massachusetts Commission was made by that commission, but it was made by Prof. George F. Swain, of the Massachusetts Institute of Technology, who was employed by the commission, and the commission accepted his valuation.

The CHAIRMAN. And stood sponsor for it?

Mr. BUCKLAND. I think so; yes, sir. They simply said they were under obligations to him for services which he performed. I do not know that they expressed themselves in any place as adopting that valuation. I did not want to leave a loophole for a misunderstanding in that regard. In conclusion I should like very much to have the committee consider at some time this whole report of Mr. Bowman's, because it does go into the methods whereby the cost of carrying the mails is ascertained with very great accuracy. That report is prepared with great care, and I am strongly in hope that you will consider favorably printing it, so that every member of the committee can have an opportunity to examine it.

Mr. LLOYD. Do you expect to have it printed and put in book form yourself?

Mr. BUCKLAND. I do not think so. We have only three or four copies, and I do not think we will print any more.

The CHAIRMAN. Thank you very much, Mr. Buckland.

## STATEMENT OF MR. H. E. MACK—Continued.

The CHAIRMAN. Mr. Mack, you will still consider yourself under oath.

Mr. MACK. I will.

The CHAIRMAN. Will you give the committee the benefit of your ideas in reference to the substitution of space for weight as the measure of the service rendered in the transportation of the mails?

Mr. MACK. I have memoranda, Mr. Chairman, which I have prepared at Mr. Peter's suggestion that cover most of the points pertaining to that subject.

The railway mail pay is at present, and has been for 40 years, on a twofold basis, namely, weight and space, upon rates and conditions of service fixed, not by the railroads but by Congress and the Post Office Department, the customer. The present system recognizes the two distinct things done, the services rendered to the Government, one of which is not done with relation to other transportation service. The transportation part of the mail service rendered is on the universal basis commonly used for the transportation of things, viz, weight, and represents 90 per cent of the mail pay.

The railroads in addition thereto fit up and haul working post offices and carry postal clerks for distribution of the mail, so that it may both be consolidated and distributed from place to place and junction to junction, utilizing transit time for this purpose. This, however, extends to full postal cars only at present, and is on a space basis for cars 40 to 55 feet and over and represents 10 per cent of the total mail pay.

The present basis, therefore, appears to be most logical and practical and sound in principle, as it recognizes the two distinct kinds of service rendered.

Although the rates as to both weight and space have been reduced since the equalization law was passed, the basis has remained the same for 40 years, notwithstanding, as the testimony has shown, that other methods, and even one exactly similar to that proposed in Document No. 105, have been recommended and considered by Congress.

I can not state what particular reasons were urged from time to time which prompted the discarding of proposed new methods for the continuance of the present system, but the action taken from time to time is very strong presumption against change to a single and exclusive space basis, and for the maintenance of the space-and-weight method; in other words, every time a space plan has been proposed it has been rejected.

1. The change to an exclusive space basis, now proposed by the Post Office Department, means the abandonment of the scales and the exclusive use of the tapeline theoretically. But the matter at issue is not a simple one of measuring the length of a car with a tapeline, but instead is one wholly of opinion and judgment, at the very best, and it is human judgment and opinion, therefore, and not the tapeline, which would become the measure of pay to the railroads on every mail route.

The chief clerk, Railway Mail Service, would pass his judgment upon the space to be paid for. This would be passed upon by the division superintendent, general superintendent, Railway Mail Service, the Second Assistant Postmaster General, and perhaps by post-office inspectors, each of whom would have a different idea, which would result in a different measure on every line. There could be no stability or uniformity, with changing officers, from the Postmaster General on down the line, who would have changing views.

The volume of mails vary according to the days of the week and month, and an opinion by a chief clerk as to space required on Monday might be overruled by the superintendent who inspected a line on Wednesday, with different conditions, and both might be overruled by a post-office inspector who would inspect a line on Friday.

The railroads do not want to be placed in the position of having their entire mail pay of $50,000,000 per annum depend upon the judgment of officers in the service. As the railroads do not originate the rates of mail pay as with other traffic, it seems to me sound doctrine, likely to receive the approval of the country, that Congress should fix the rates and also the conditions of service. We should not be asked or required by regulation of the department to perform service of any character not clearly embraced within the rates fixed by the law itself.

On the one hand, the space system would probably have the effect of depriving a railroad of justice, where an officer, although conscientious, might be reluctant or afraid, to recommend to his superiors an adequate amount of space; and on the other hand there would be the opportunity, with the postal officers whose opinion would be involved, for favoritism, and abuse and resulting scandals could hardly be avoided. The plan would confer too much arbitrary power upon an executive department of the Government. It might be wielded unjustly to the railroads or might be used as a powerful political instrument.

The above is the chief and fundamental objection to the exclusive space basis.

The CHAIRMAN. If space were the determining factor, do you think it would be possible with the espionage (I do not use that term invidiously) in the department for a conspiracy to exist by which the Government would have to pay for space not used or authorized?

Mr. MACK. I think that the great fear that has existed in the past in regard to the exclusive space basis is that possibility with entire mail pay of fifty millions involved. I think it was developed in the report of the commission in 1898. Congressman Loud, even, who favored space, was impressed to a large extent by the possibility of difficulties of that kind.

2. There would seem nothing scientific or practical in the department's plan, which appears to be fundamentally wrong, because it is based upon the relative proportion authorized (based on opinion) of mail space on a train, and the mail pay would be fixed, not merely by the mail space used, but would be largely regulated and determined by the number and size of the passenger or baggage cars in the train. For example: An additional passenger, express, or baggage car on a train would decrease the mail pay; and if a railroad should take off or reduce the number of passenger, express, or baggage cars on a train, it would increase the mail pay.

The CHAIRMAN. I do not catch that. Providing that the determination would be based on the original authorization of the department, through the various individuals as you have so clearly outlined, what difference would it make how many additional passenger cars or express cars you put on that train as long as you were authorized and required by the Second Assistant Postmaster General to provide such space?

Mr. MACK. His basis of pay is proportional and conditioned upon the express and passenger space on the trains.

The CHAIRMAN. On a 6 per cent basis, as in the suggested plan?

Mr. MACK. On a cost basis; yes, sir.

3. Such a plan would provoke continuous and interminable dispute and dissatisfaction as to space allowed or furnished, as may be fairly judged by the results of the space figures reported by the companies for November, 1909, and as used by the department in Document 105, there being a total monthly difference of 210,326,652 car-foot miles, or an annual difference of 2,523,919,824 car-foot miles, representing 21.28 per cent, on the list of roads alone, which is compared in the document entitled "An examination and analysis of Postmaster General's proposal," Exhibit, pages 28 and 28a, the differences in space on various lines ranged from 6 per cent to 53.59 per cent.

There are differences on nearly every route, and the controversy between the railroads and the department, as to space, would therefore extend to practically every route, every railway, every year.

4. This enormous difference in space was a material factor in the production of a reputed saving of $9,000,000 by the plan proposed in Document 105. The Post Office Department cut out this large amount of space, which, so far as may be understood, can generally be classed as "incidental" space, actually furnished and hauled in connection with mail transportation, but treated by the department as "dead" space (some of it is pretty live space on fast mail trains on some lines), and was not only cut out of the mail proportion, but the difference widened by adding it to the passenger space, which had already been charged in the railroad reports, with its own "dead" space.

If a 60-foot car is required by the Government one way, it is obvious that that identical car must be returned, as it can not be changed to a 40-foot car on its return run, simply because the Government may not use it to its full capacity the railroad must haul it.

The mails are as much as six times as heavy in one direction, namely, West, South, or Northwest, as a rule, than in the opposite direction, particularly where fast mail service exists, and a maximum movement in one direction must be provided for to meet the necessities of the postal service, and similar space must necessarily be returned.

The CHAIRMAN. Do you understand that it is the suggestion of the department, under its plan of substitution of space for weight, that they would have two space authorizations, one westbound and one eastbound, one northbound and one southbound? Would it not be a round-trip space authorization?

Mr. MACK. It has not been so calculated with reference to Document 105 and the reputed saving of $9,000,000 calculated thereon.

The CHAIRMAN. The $9,000,000 supposed saving was based entirely, then, on space authorization needed in each direction and not on a round-trip space.

Mr. MACK. It was based upon space assigned by the department, which provided for some space in both directions, in other space in only one direction.

This heavy movement, in fast mails particularly, requires storage cars in one direction, and usually the light eastbound mail movement requires their return empty, as such storage cars or space can not be otherwise utilized, as each class of equipment, baggage, express, and mail, must necessarily balance itself and be returned regularly on schedule for the service in use in the opposite direction.

The CHAIRMAN. Where do you get your compensation for your empties under your present system?

Mr. MACK. Theoretically it is in the rate of pay on the weight basis.

The CHAIRMAN. Well, practically?

Mr. MACK. I do not think we get anything for it actually.

The annual train-miles of passenger service in the country is in the neighborhood of 549,015,003. The Post Office Department and the Government have the privilege, under the regulations, of using every mile of this passenger train service, and do use most of it, and should be fully charged with its proportion of dead or incidental space in any statistics purporting to show comparative revenue or cost. The average number of passengers per car is 15, and the average passenger dead space therefore may be assumed to be at least 66 per cent or more, in the reports made by the railroads to the department, and to this large proportion of passenger dead space it reported the Post Office Department added the so-called dead mail space.

5. The space basis is obviously not a proper measure to determine pay on closed pouch mail routes, or baggage car service on other routes. Weight is the exclusive determining factor in this class. Under the plan of the department, the mail in such cases would be weighed, but the weight would not be used as a pay basis, but an estimate of space based on the weight would arbitrarily be assigned and used as a basis for the payment of mail transportation.

The Paragould Southeastern Railway, for example, under this plan, and which, on two trains a day, handles an average of 65 mail bags and sacks, would only receive an average of 2 cents per piece. The present pay is only 7 cents per piece. For these 65 pieces of mail the Post Office Department only allows 2 car-feet for each train. In a practical way, it would be utterly impossible to handle these 65 pieces on and off at the various stations in 2 feet of space.

On this assumed and estimated basis, as shown in Document 105, the annual mail earnings, on a large number of such routes, trival and obviously inadequate, would be as follows:

| | Present pay. |
|---|---|
| Hoisington to Great Bend, 10.44 miles; $60.67 pay per annum; pay per trip, 4 cents | $517,71 |
| Dexter to Arkansas City, 20.27 miles, $72.12 pay per annum; pay per day, 20 cents | 1,123.04 |
| Mineral Point to Potosi, 3.96 miles; $9.41 per annum; pay per trip, 1½ cents | 192.97 |

A long list of these instances might be made, but the above will suffice for illustration.

Mr. WEEKS. Have you got the comparative statements as to what the earnings are under the present weight system?

Mr. MACK. I have, and will be glad to put them in the record alongside of that statement when it comes to me.

The CHAIRMAN. I think that will be very illuminating.

Mr. MACK. Sixth. If a basis of cost, plus 6 per cent, is adequate and scientific, it is not clear upon what theory an arbitrary rate of $25 is proposed if the earnings, under the department's plan, on independent routes do not equal that amount.

Seventh. The space basis proposed by the department would, in all probability, have effect, with its adoption, of eliminating the fast mail train service.

The earnings on Missouri Pacific fast mail 7, per train-mile, would be, one way only, $1.04; Missouri Pacific fast mail 5, per train-mile, would be 62 cents; Iron Mountain fast mail 7, per train-mile, would be 54 cents. Service could not be maintained with such earnings.

Eighth. The committee chairman has already stated that the plan was fundamentally wrong, because there would be 795 different rates for 795 different routes.

I would like to supplement this by showing that wide variations in rates would extend from 0.08889 cent per car-foot mile on the Arizona Copper Co.'s line, to 0.00157 cent on the East Broad Top Coal Co.'s line. The present rates are uniform on every line.

Mr. WEEKS. Mr. Peters is assuming that they should be.

Mr. MACK. That they should but would not be, because under Document 105 there are 795 different rates for the respective 795 different roads, and I am pointing out the wide rate variations of from 8 cents in one case per car-foot mile as compared with 1 mill in another case as a result of this proposed plan of the department. It would be rather hard to defend if the East Broad Top Coal Co.'s line went to the Postmaster General and wanted an explanation.

9. The experience which the railroads have had with space, as only an incidental factor, representing 10 per cent of the mail pay, does not commend it as an exclusive basis, with the entire 100 per cent of mail pay involved.

I would like to say I believe it was a wise provision to make the present pay 90 per cent on weight and 10 per cent on space, the actual mail determining itself, when weighed, the amount of mail pay on weight, and only 10 per cent being left to the judgment and discretion of the officers of the service. I think that was a very deliberate intention although that does not represent, by any means, the relative proportion of space used for transportation and for post-office work. I think that was the deliberate purpose of the existing basis.

The law provides for "lines" of full R. P. O. cars and simultaneous with the enactment of the law, the practice, as we understand, was followed, of paying the railroads for such cars on a "line" basis, but in recent years this practice has not been followed, and the railroads have been paid in some cases, for a 60-foot car in one direction, based on the necessities of the department, and only 40 foot in the opposite direction, by agreement, for example, at the 50-foot rate. As obviously, the mail car going out must be brought back, and as the de-

partment's need fixes 60 foot as the requirement in one direction, we believe 60 foot line should be paid for.

The CHAIRMAN. The same car?

Mr. MACK. The same car. I would like to say there that manifestly the department's requirements for a 60-foot car out of a certain point, we will say St. Louis, absolutely fixes the kind and size of car which the railroad company must furnish. We can not change it to a 50-foot car half way over the road and then a 40-foot car and haul it back empty without cost to us.

Where formerly a 60-foot line was authorized and paid for in cars that had 92 letter boxes and 98 paper boxes, now by change in requirement of the Government, a car must have 600 letter boxes and 200 paper boxes in use, before a railroad receives pay for a 60-foot car, and the cost now is $12,000 per car, as compared with $4,200 years ago.

You can see how the post office has been developed in the mail cars during that time.

The CHAIRMAN. Do you get the same compensation for the $12,000 car that you got for the $4,200 car?

Mr. MACK. No, sir; we get 20 per cent less, as the pay was reduced in 1907 on 60-foot cars.

The CHAIRMAN. Although the requirements were increased?

Mr. MACK. Although the requirements were increased, and since then the law requires all-steel cars.

Mr. WEEKS. How much does a steel car, of the same length, cost more than a steel-frame car?

Mr. MACK. I do not know that I could answer the question as to a steel underframe car, but I should think the difference would be in the neighborhood of about $2,000 per car less than the higher pay for an all-steel car.

With full cars, the payment does not always extend to the operating end of the run, although in the operation of a railroad, a 60-foot car can not be cut off, mail transferred to a 50-foot car at any point, and to a 40-foot, or 30-foot car farther along, because it would ruin schedules to do so, and the car which starts out the railroad must haul through and back.

Inspectors have recently been on many lines, and the car pay reduced, although the same cars, I think, are still in use, as formerly.

The experience the railroads have had, therefore, does not inspire confidence that the space basis would be fair to them.

10. The department called upon the railroads for the average amount of space during the month of November, but an average amount would not be a proper method, even of determining space, because space implies reservation, and to take care of its needs on a space basis, it would be necessary to consider the department's maximum space, and not the average.

If a post office is rented by the Post Office Department it is not on the average amount used, but it must be large enough for the greatest amount of business it would handle, and which would be on a maximum basis.

The CHAIRMAN. Your R. P. O. cars are rented by the year?

Mr. MACK. Not for any definite period; no, sir. The department, if it needs full R. P. O. cars, issues what is termed an authorization for those cars and they are paid for at the customary rate.

The CHAIRMAN. Per month?

Mr. MACK. On a monthly basis, but service can be terminated at any time the department chooses.

The CHAIRMAN. It is at the option of the department?

Mr. MACK. Yes, sir.

Weight may be considered as the most practical basis, as it is a universal basis for rates for the transportation of things, on railroad lines. It leaves nothing whatever to judgment or opinion. It is a measure of the very article, the exact thing, which is to be transported, and as to mail, is the very identical basis upon which the Post Office Department itself, as forwarders of mail for the public, has charged, even to so small an article as a letter weighing as little as 1 ounce. Weight may be considered an automatic adjuster.

The mail itself on this basis determines what the compensation shall be, and protects the railroad company, as it does the Post Office Department. The weight basis applied to mail on each train and trip must balance, and is an added measure of protection, both to the Government and the railroad, because the weights are taken both on and off, and at the end of the run a balance exists, proving the accuracy of the weights of the mail transported.

That is the memorandum that I have prepared, Mr. Chairman, on that question. It might clear the atmosphere a little in regard to space if we differentiate between the two things that seem to have gotten confused. One of those things is whether you can use space as a measure of testing the adequacy or inadequacy of pay, and the other is its possible use as a basis of pay. In testing the adequacy of pay, all of the incidental mail space hauled, exactly as the service existed, would go into the classification of mail car foot miles. Space, perhaps, might be used as a common basis of comparison of the service on passenger trains. Instead of trying to use that, however, to arrive at the cost of the service, I have thought, and many others have thought, that it could be better employed to show the comparative revenue car foot mile earnings embracing all the incidental factors involved and thus determine broadly whether the railroads are underpaid or overpaid, and after the determination is reached then seek a method of adjustment. It seems to me that that will produce a simple basis of explanation to the people and also to members of Congress who can not give, owing to their manifold duties, the time to study volumes and volumes of complicated figures. In addition, you do not go into the element of cost which brings into the question a division of accounts—a complicated subject upon which there is no authority at present to settle the subject universally.

The CHAIRMAN. Is it feasible to take a ton-mile as the measure, determined by weighing, and then arrive at a specific payment of so much per ton-mile; and if that was determined, would that be equitable over a decade, for instance, or would the payment on a ton-mile basis have to be changed during a period of years, in your opinion?

Mr. MACK. It seems to me that a frequent weighing would be necessary and more frequent than at present.

The CHAIRMAN. So as to ascertain the ton-mile?

Mr. MACK. So as to ascertain the pay and to take care of the changed weight. The weights are not always increasing on every route, and there are diversions of mail which occur.

The CHAIRMAN. I do not think I make myself clear. You favor the ton-mile basis instead of the linear foot?

Mr. MACK. I favor the weight basis rather than the linear foot.

The CHAIRMAN. Then, taking the weight basis as the measure of the service, would it be possible, practicable, and equitable to determine a rate that that weight per pound or per ton should receive, that compensation to be the same over a period of years, or would it be necessary to change that compensation every two or three years?

Mr. MACK. That is, change the rate?

The CHAIRMAN. Yes.

Mr. MACK. I do not see any need for changing the rate with any frequency. The weight would change and pay change accordingly, however.

The CHAIRMAN. The number of tons of mail would change, but if you were to receive so much for each ton of mail hauled for every mile hauled could that amount which you receive be determined so that it would be equitable and just, and be permanent for a decade, or two or three decades, or would a change of conditions require a change in that amount per ton per mile?

Mr. MACK. I should think a permanent rate could be determined. I do not know why not. There might be changing conditions which one could not anticipate, but I do not see anything to prevent a permanent and satisfactory rate on a weight basis. I do not see any difficulty at all in that.

Mr. WEEKS. Would it be practicable to weigh all of the mail that goes on every train?

Mr. MACK. I would say not. You mean daily?

Mr. WEEKS. Yes.

Mr. MACK. I would say not, because it would be too great an interference with the work of the Railway Mail Service in the first place; it would be expensive in the second place, and it would also tend to delay train service. For instance, let me cite an example: At St. Louis the heavy mail arrives there from the eastern trains and there is a limited margin of time in which to make connections. During the period when the weighing is in progress the trucks on which the mail is unloaded are not taken directly to the outgoing trains, but they are first taken to the scale, which involves an extra movement of each truck, increased force of porters, and involves delay in the departure of trains, and for that reason at the large points it would be impracticable, I should think.

Mr. WEEKS. Do you not weigh all of the express every day?

Mr. MACK. No. The express is weighed at the initial point, as I understand it, but not on the intermediate routes.

Mr. WEEKS. Why weigh the mail on the intermediate route?

Mr. MACK. You weigh the mail on every route. The express is different from the mail in this respect: Your mail is changing constantly as it goes over the road, but the identical single package of express remains the same. The express is weighed and the rates charged at the starting point, but the mail is constantly changing as to receptacle as it goes along, and when weighed is worked out to an average basis per mile. The express is not handled in that way.

Mr. LLOYD. Suppose the mail is weighed as it is put on the train. Would not that give the full weight of mail? For instance, if you start at St. Louis and weigh the mail which you start with, then take

the weight of the mail that is put on at the first, second, third, or fourth stations, and so forth, when you have reached Kansas City, if you add those several weights together you have the total weight of the mail carried between St. Louis and Kansas City.

Mr. MACK. Yes; but the difficulty is getting the weight at the initial point, at St. Louis, without delaying the trains. There is an extra handling of the mail that is very troublesome at the large stations, and we are always very glad when the weighing is over on that account.

Mr. LLOYD. Do you not think it possible to have a permanent system by which that could be overcome?

Mr. MACK. I have not thought so, but it is rather hard to say that anything is impossible.

Mr. LLOYD. That is the only trouble in that theory?

Mr. MACK. The expense of taking the weights and the interference with the work of the Railway Mail Service and of course, great expense of tabulation.

Mr. LLOYD. There need not be much expense except at the large stations?

Mr. MACK. I do not know but what a system of weighing could be had at the small stations. I do not see, so far as the Railway Mail Service is concerned, that there is any need of having a man on the train, providing the station agent would take the weights of the mail on and off, but the department, of course, does not permit that now.

Mr. LLOYD. Why can not the postmaster, when he sends his mail, in the ordinary towns in the country, to the train, weigh it?

Mr. MACK. He could as to local mail, but a great quantity of this mail does not go to the post office; it is connecting mail at junction points. That mail does not go to the post office at all, and those are the heavier mails.

Mr. WEEKS. How many solid mail trains are there between St. Louis and Kansas City a day?

Mr. MACK. We have two fast mail trains, but I would hardly call them solid mail trains because we have a passenger car on each train—a sleeper. There are two such trains.

Mr. WEEKS. Does that train go through without distributing mail en route at all?

Mr. MACK. At the local points?

Mr. WEEKS. Yes.

Mr. MACK. No; it exchanges mail at the principal points between St. Louis and Kansas City and the mail clerks work up the mail for connecting trains at Kansas City.

Mr. WEEKS. Is there any train that goes through without distributing mail at all.

Mr. MACK. None at all; no, sir. In fact I might say that practically every car that carries mail from St. Louis to Kansas City has distribution performed in it. For instance, mail for New Mexico, mail for Colorado, mail for Arizona, and mail for all distant territory is worked up so that when it arrives at its connecting point it is all worked up for the route at that connecting point.

Mr. WEEKS. How many other similar trains are there between these two points on other roads?

Mr. MACK. On other roads there are no fast mail trains between St. Louis and Kansas City.

Mr. WEEKS. Do other roads offer similar facilities as your road?

Mr. MACK. The regular passenger service on the other lines very nearly corresponds to our own.

Mr. WEEKS. Are the distances practically the same?

Mr. MACK. Practically the same.

Mr. WEEKS. Do you make better time? Is that the reason you carry the mail?

Mr. MACK. I think the reason why it happens we have the through mail is, as I understand, that we were the first through line from St. Louis to Kansas City and that line was developed and the growth has continued on that line.

Mr. WEEKS. What I was getting at was this: Is there any reason why transportation lines between the two points like that should not bid for such service?

Mr. MACK. I should say, in answer to that question, that the fast mail service which the department has to-day is a competitive service, that is, the competition is on the basis of service and it is so interwoven, as a general rule, with the local service that it can not very well be disturbed, that is, from time to time, if you have that in mind as I assume you did, for competitive bidding. I would hardly consider that the instances where that could exist would be worth the trouble of bothering with it. Of course if the railroads were earning large sums of money from this service it would be quite different, but to-day this committee on railway mail pay is very much like a grievance committee. We were reduced in 1907 about $8,000,000 per annum, and instead of getting relief from Document 105, the suggestion is that $9,000,000 more be dropped off, so we are naturally a grievance committee now, feeling that our service is very much underpaid and that restitution should be made, rather than cut us more.

Mr. LLOYD. How does the Post Office Department determine which one of the roads between St. Louis and Kansas City shall carry the mail?

Mr. MACK. I do not know that that question comes up specifically. For instance, in the establishment of the fast-mail service from St. Louis to Kansas City, in 1887, that was by special contract, and I can readily look back and see that the railroad lost money, without any question, as the volume of mail was very small. Just why that service started on the Missouri Pacific rather than on any other line I do not know. I am not familiar with the history of the railroad conditions in the West at that time.

Mr. WEEKS. Has any other road attempted to secure the diversion of the through mail?

Mr. MACK. Not that I am aware of; no, sir. I do not think any road could offer any superior service, and I can see no advantage to the department in making any change.

Mr. WEEKS. How many cars do you run on those through trains ordinarily?

Mr. MACK. On one train five cars and on the other three.

Mr. WEEKS. Five mail cars?

Mr. MACK. Yes, sir.

Mr. WEEKS. And one passenger car?

Mr. MACK. Yes, sir.

Mr. WEEKS. On the other, three mail cars?

Mr. MACK. Three mail cars and one passenger car.

Mr. WEEKS. How much does that train earn, the five-car train?

Mr. MACK. I think it is $1.30 a train mile.

Mr. WEEKS. How much does the other, the three-car train earn?

Mr. MACK. About $1.03.

Mr. WEEKS. Do you run any trains between those points composed of nothing but sleepers, for instance?

Mr. MACK. No, sir.

Mr. WEEKS. Take the best passenger train you run, how many cars will that train haul?

Mr. MACK. The best passenger train we have usually carries about 9 or 10 cars.

Mr. WEEKS. How much does that earn?

Mr. MACK. I could not say.

Mr. WEEKS. Could anybody say?

Mr. MACK. I have no doubt we could get that information.

Mr. WEEKS. Have you any opinion upon that?

Mr. MACK. I have no hesitancy in saying that it earns very much more than the mail.

Mr. WEEKS. It does, because it is a longer train and has more equipment?

Mr. MACK. Yes; but the unit is the same, one train as compared with another.

Mr. WEEKS. Suppose they run a train of six passenger cars—do you think it would earn more per train mile than the mail?

Mr. MACK. The passenger train?

Mr. WEEKS. Yes.

Mr. MACK. Well, that is problematical and it is a heavily loaded train. I do not think we could carry the same number of people in the six cars.

Mr. WEEKS. From your standpoint how are we going to determine the contention that you make that you are not getting pay enough?

Mr. MACK. My idea is this: That we have to try to get to a common basis of determining the general question and I believe that it is most satisfactorily determined on the principle that all of the passenger space on the train ought to earn an equal amount. In other words, there is no reason why the mail should earn less than the passenger space on the same train. The figures that we produced from the committee on the railway mail pay indicated the earnings from the mail space as $3.23 per thousand car-foot miles, while the earnings on the remaining passenger space were $4.25 per thousand car-foot miles, illustrating very clearly in two figures that the mail is underpaid. The point of the calculation there, which, however, is in dispute at the present, is the car-foot mile, which is the basis of division by which those figures are reached. Senator Bourne, a few days ago, suggested a joint committee to see whether those figures might be reconciled—that is, the difference in car-foot-mile earnings might be reconciled to more accurately reach a more satisfactory determination of what the earnings per car-foot mile were. I am a member of that committee, and we had a meeting yesterday, and I believe probably within two weeks the committee will be able to reach a satisfactory conclusion in regard to that question.

The CHAIRMAN. A committee consisting of three from your association and three, appointed by the Second Assistant Postmaster General, representing the department?

Mr. MACK. Yes, sir. We had a meeting to-day and have another meeting for to-morrow morning.

The CHAIRMAN. A meeting of the six?

Mr. MACK. Yes, sir. The committee is attempting to give you figures that will assist you materially in reaching your conclusions.

Mr. TUTTLE. Your road never protested against carrying this mail and insisted on your competitors taking it and showing a loss?

Mr. MACK. Well, that is true; yes, sir.

Mr. TUTTLE. You never have protested?

Mr. MACK. We never protested against carrying the mail, but we have protested against the fact that the pay was inadequate, or at least we felt it was.

Mr. WEEKS. Would not the natural result be that you would like to get rid of something if you were being inadequately paid for it?

Mr. MACK. There does seem to be an inconsistency in the position of the railroads, but they have their facilities and all of the additional business that is secured on their train service adds to the earnings of the train, just as an additional passenger adds to the earning of the train.

Mr. TUTTLE. Do you know of any railroads that have ever tried to avoid carrying the mails?

Mr. MACK. I do not.

Mr. TUTTLE. Do you know of any railroads that have ever refused to carry it because the pay was inadequate and were willing for their competitors to carry it?

Mr. MACK. No; I do not think so.

Mr. TUTTLE. It is really a desirable traffic after all, is it not?

Mr. MACK. Well, I do not know that it is desirable.

Mr. TUTTLE. Most railroads seem to want to get the mail contract.

Mr. MACK. I have explained that. I think the additional business that you add to your train increases the earnings of that train just as an additional passenger does that you have advertised for and tried to get.

Mr. WEEKS. The New Haven Railroad has protested very vigorously against carrying the mail?

Mr. MACK. I do not know of the action of the New Haven Railroad.

Mr. WEEKS. No railroad would decline to carry the mail without feeling that its interests would be jeopardized on account of the crystallization of public sentiment against it because of its refusal to carry the mail and the irritation incident to such refusal.

Mr. MACK. I think many railroads have considered the question as to whether they could, but they probably have not given any notice to the department, but they have felt that it was a public necessity and they have always made their contracts on that basis, that it is a public necessity.

Mr. LLOYD. How do you account for the apparent fact that the New York, New Haven & Hartford Railroad does not get as much compensation for its service as the other great systems of the country?

Mr. MACK. Well, I have not made any definite comparison, but perhaps the division of accounts may have some bearing on that.

Those questions are settled to some extent by the relative volume of passenger and freight traffic, with a corresponding division of expenses, cost of fixed charges, and things of that sort.

Mr. WEEKS. How many miles of road has the Missouri Pacific in operation?

Mr. MACK. In the neighborhood of 7,000 miles.

Mr. WEEKS. How many passenger trains do you run a day?

Mr. MACK. I could not answer that question without counting from the time table.

Mr. WEEKS. Did you hear Mr. Buckland's statement that there were 2,000 miles of New Haven road in operation and they ran 2,000 passenger trains?

Mr. MACK. I did; yes, sir.

Mr. WEEKS. How do you think your figures would compare with those?

Mr. MACK. I do not think we have anything like the frequency of service that exists on the New Haven road.

The CHAIRMAN. Would not that be one reason why their service is more expensive than yours?

Mr. MACK. That probably has some influence; yes.

Mr. WEEKS. How many stations are there on the Missouri Pacific road?

Mr. MACK. I think 862.

Mr. WEEKS. That is one station about every 8 miles. The probabilities are there are just as many stations on the New Haven road. Would you not think so?

Mr. MACK. Very likely.

Mr. WEEKS. That would add to the expense, would it not?

Mr. MACK. That very likely would; yes, sir.

Mr. WEEKS. How many reasons can you think of why there would be a difference of expense on different roads, depending on their location, density of population, and all those questions?

Mr. MACK. I would prefer not to answer that question offhand.

Mr. WEEKS. You will be here for some days?

Mr. MACK. Yes; I expect to.

Mr. WEEKS. Will you think it over and try to give an answer to it later on?

Mr. MACK. I will be very glad to; yes, sir.

Mr. WEEKS. As definitely as possible.

Mr. MACK. I will be very glad to.

The CHAIRMAN. You think the joint committee of six, representing the department and the committee on railway mail pay, probably can reach their conclusion as to how near they can come together in a couple of weeks?

Mr. MACK. I am inclined to think probably within a couple of weeks. We can tell better to-morrow morning, when we ascertain the condition of the figures at the department and how deep an investigation will be necessary to check up.

## STATEMENT OF MR. GRANT W. TAYLOR.

The CHAIRMAN. Mr. Taylor, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your full name, residence, and occupation, and the official position in which you appear before the committee.

Mr. TAYLOR. Grant W. Taylor; general superintendent of transportation, Southern Railway system. Residence, Washington, D. C.

The CHAIRMAN. Will you give the committee the benefit of your views regarding the subject the commission has before it?

Mr. TAYLOR. Mr. Chairman, Mr. Peters asked me to make some memorandum with reference to the departmental rulings and their effect on transportation, and I have made a few notes.

In considering the effect on transportation of "administrative regulations" (regulations promulgated by the Post Office Department), it would seem proper to state that the existing contracts covering the transportation of the United States mails were executed by a very large number of the transportation lines, subject to protest against the enforcement of the following specific regulations of the Post Office Department:

1. Order No. 412, issued by the Postmaster General, June 7, 1907.

2. "Requiring railroad companies to furnish free transportation to any person or persons, other than those actually in charge of distributing the mails in transit."

3. Section 1186, paragraph 2, requiring railroad companies "to provide suitable and sufficient rooms, lighted, heated, furnished, supplied with ice water and kept in order, at stations where clerks or transfer clerks are employed, for distributing, handling, and assorting the mails, without agreed rental therefor."

Mr. LLOYD. You are quoting from the law, and not from regulations.

Mr. TAYLOR. I am quoting from regulations. These are the departmental regulations.

4. Section 1186, paragraph 3. "The specific requirements of the service as to due frequency and speed, space required on trains or at stations, fixtures, furniture, etc., will at all times be determined by the Post Office Department and made known through the General Superintendent of Railway Mail Service."

5. "Railroads to furnish and operate postal cars without full legal compensation for the maximum length in both directions."

6. "The furnishing of postal apartments, or postal cars, for the distribution of the mails, or for other post-office purposes, at stations or terminals, either before the regular time of making up, or placing the train for loading for departure from such station, or after the arrival of such cars at the terminus of the run of the train."

7. "The night exchange of the mails at points where agents are not employed, except at points where the department provides employees to take the mails from and deliver them to the trains."

8. Section 1187. "The requirement of the department that railroads shall keep and furnish pouch records, and shortage slips, and protest against the imposition of fines where pouch records are not kept or shortage slips not furnished."

9. "Deductions from compensation for mail transportation where mail service is regularly performed six times a week each way over the route."

10. "The stoppage of through trains for mail purposes at other than the regularly scheduled stopping places for such trains."

11. That part of section 1330, reading as follows: "Railroad companies will be required to furnish monthly statements, certified as above, of all delays and other causes to trains which the department regards as being of special importance as mail trains."

12. Section 1334, paragraph 13. "Applications from companies for remission of deductions made from their compensation for carrying mail will not be considered unless

filed, with evidence, in the office of the Second Assistant Postmaster General within six months from the date of notice by the Post Office Department to the railroad company that such deduction has been ordered."

In explanation, I would say that it is generally felt that the enforcement of the above departmental regulations create an operating, as well as financial, hardship upon the transportation lines not contemplated by the law governing the transportation of the mails on railroad lines, in the following particulars:

First. Order 412 has materially reduced compensation for services rendered, as fully set forth in evidence already submitted.

The CHAIRMAN. That is the divisor order?

Mr. TAYLOR. Yes, sir.

Second. The carriers object to furnishing free transportation to other than those specified in the law, namely, "railway post-office clerks to accompany and distribute the mails." To accept the "administrative ruling" relating to the carrying of persons not specified in the law, involves the furnishing of a large amount of free transportation, of a personal character, that has no connection with the actual transportation of the mails, which, in effect, not only takes away revenue that should properly accrue to the carrier line, but further opens an avenue for the unlimited use of free transportation, no record of which is in the carriers' possession.

Mr. LLOYD. In that connection, what is the practice with reference to persons riding with the railway-mail clerks, and who rides with them?

Mr. TAYLOR. The post-office clerks or post-office employees, inspectors, and certain other classes of employees. They ride in the postal cars with postal clerks, but those employees also hold commissions issued by the Postmaster General authorizing free travel.

Mr. WEEKS. There is no free travel when not on duty.

Mr. TAYLOR. I suppose that there are certain orders confining the use of such transportation while on duty, but the transportation lines have no method of checking or knowing whether the men are on duty or off duty.

Mr. LLOYD. Your real complaint, then, is that you do not know whether they are on duty or off?

Mr. TAYLOR. We do not know, for we have no means of knowing. We have asked for that information and it has been declined.

Mr. LLOYD. The department has declined it?

Mr. TAYLOR. The department has.

Mr. TUTTLE. What class of employees besides inspectors travel free?

Mr. TAYLOR. I believe the postal clerks hold commissions and substitute clerks hold commissions.

Mr. TUTTLE. You mean the railway mail clerks?

Mr. TAYLOR. Railway mail clerks and inspectors of the Post Office Department, superintendents of Railway Mail Service, chief clerks and others.

The CHAIRMAN. Do they not all come under the provision of the law appertaining to that particular branch of the service?

Mr. TAYLOR. Not necessarily pertaining to the branch of the service of the individual lines that they might be traveling over.

Mr. TUTTLE. You are aware that part of this has been remedied by reason of the fact that clerks in the terminal offices do not hold the commissions now?

Mr. TAYLOR. I know that.

Mr. WEEKS. You know there is a very stringent order of the department that the commission shall only be used when the holder is on duty or returning to his home from duty.

Mr. TAYLOR. I might give a little further information. While the argument may be advanced by some that this item is inconsequential, it is known that the money value of such transportation will, on the Southern Railway system aggregate approximately $40,000 per annum.

We have some data covering that feature for a period of six months, ending December 31, 1912.

Mr. LLOYD. An inspection service of your own?

Mr. TAYLOR. Post Office Department employees riding on our trains in other than the postal cars or in charge of the mail.

The CHAIRMAN. That amounts to $40,000?

Mr. TAYLOR. Yes, sir; per year.

The CHAIRMAN. Your ascertainment was $20,000 actually for six months?

Mr. TAYLOR. $20,000 for six months.

Mr. WEEKS. How many miles of road do you operate?

Mr. TAYLOR. Approximately 7,036.

Mr. WEEKS. How much do you receive for the transportation of the mails?

Mr. TAYLOR. The amount is decreasing quite rapidly. In the fiscal year ending June 30, 1912, it was $1,352,219.62.

Mr. WEEKS. How much do you imagine it costs the railroad to carry these men who, if they had been paying their transportation, would have paid $40,000?

Mr. TAYLOR. Mr. Chairman, that would be a very difficult question to answer. We consider it in the light of furnishing service for which we receive no return.

Mr. WEEKS. Do you think you furnish any more service than you would if you did not transport those persons?

Mr. TAYLOR. We furnish a money value, a definite money value for which there is no return.

Mr. TUTTLE. Your railroad figures do not show how much it costs to carry a passenger per mile.

Mr. TAYLOR. Taking into consideration all expense incident to passenger service, I presume they do.

Mr. TUTTLE. You have not that figure?

Mr. TAYLOR. I have not. I am not up on statistics. I merely have to do with the operating end of the railroad.

The CHAIRMAN. Your computation of $40,000 is based on what you are allowed per mile for passengers?

Mr. TAYLOR. That $40,000, Mr. Chairman, is on a basis of actual money value at the current passenger rate for the number of miles traveled by postal employees, for which we have their receipt in each individual case.

The CHAIRMAN. In other words, if they had paid the regular passenger rate you would have received $40,000 more than you did receive from those employees?

Mr. TAYLOR. That is true.

Third. The carrier lines can not concede the right of the department to require the furnishing free its terminal facilities for post offices or other purposes not connected with the transportation of the mails.

Mr. WEEKS. It does not do that in all cases. It furnishes some space for the separation of the mail and for the handling of the mail, but it does not furnish space for post-office purposes.

Mr. TAYLOR. We feel that to a very large extent we do. Perhaps that may be brought cut more clearly in the use of postal cars at terminals for distribution purposes.

Mr. WEEKS. The reason I differentiate in that case is I noticed a short time ago that the Boston post office opened a substation in the South Station in Boston, and I asked the postmaster about the rental, and he told me what he paid. I do not recall the figures, but they were a very exorbitant price per square foot for the space used for that substation; so I think you ought to differentiate between the space used for sorting, distribution, and handling of mail and for post-office purposes.

Mr. TAYLOR. That may be true at some of the large terminal centers, such as Boston, or perhaps such as the Washington terminal, but in the majority of large terminal stations throughcut the South the department requires facilities for making separations and distributions in these stations.

The CHAIRMAN. For which you receive no rental?

Mr. TAYLOR. For which we receive absolutely no pay. That is common and the question has been up a great many times.

Fourth. The carriers can not concede the right to the department to place in the hands of any individual the control of its property.

That refers to section 1186, whereby the General Superintendent of Railway Mail Service would determine all facilities required.

Fifth. The department having recently conceded the equity of the protests of the carriers that the operation of a fixed postal car authorization in one direction should carry a similar compensation in return movement, further comment would seem unnecessary at this time.

Sixth. The practical effect of carrying out the practice contemplated by the ruling of the department would be to create the use of working post offices, in frequently congested terminals, involving the use of tracks necessary in the conduct of the general terminal work, as well as a material increase in the expense of additional switching made necessary by such occupation.

That is the furnishing of postal apartments, or postal cars for the distribution of mail in terminals?

Seventh. The requirement of this ruling necessitates the employment of additional men at many points whose services are not essential to or needed otherwise in the companies' service.

The CHAIRMAN. As I understand, your criticism is not upon the department's rules and regulations for the improvement of the service, but that you receive no compensation for the increased burdens imposed.

Mr. TAYLOR. That is true. In other words, the burden is placed upon us without compensation.

Eighth. The compliance with section 1187 creates an unnecessary burden on the carriers, especially in the matter of fines which do not

serve any good purpose, nor can they be extended to employees individually responsible.

The CHAIRMAN. That is a direct criticism against the requirement, which, from your viewpoint, is unnecessary and not in any way beneficial to the service.

Mr. TAYLOR. It does not improve or add to the service. Penalties of that character can not be, under present conditions, extended to employees actually responsible for an individual failure. In years gone by that has been done.

Mr. WEEKS. Does it not stimulate the road to perform a better service?

Mr. TAYLOR. I can not see how it can. We are all anxious to do the very best that is possible to be done, and so long as the mail or any other branch of the service is dependent upon individuals, so long you will continue to have some failures. The service can not be 100 per cent perfect.

Mr. WEEKS. Are not those fines levied very largely on account of delay in delivering the mail?

Mr. TAYLOR. No, sir. They are for failure of employees, perhaps, to dispatch mail. I do not know what the policy of the department is in that respect as pertaining to its own employees. There may be a system of fines in effect for failure of departmental employees to perform certain work or for certain errors, but I do not know about that.

Mr. WEEKS. There is a demerit system.

Mr. TAYLOR. Our discipline, so far as the transportation lines is concerned, is confined to a merit and a demerit system. The money fines have been abolished for a number of years.

Mr. WEEKS. I supposed the fines imposed were very largely for the failure to deliver the mail at the time stipulated.

Mr. TAYLOR. Ninth. There are instances where carrier lines have been subjected to fines for the failure to transport mails on freight trains between points where regular mail service has been performed twice daily each way on passenger trains.

We regard that as an unjust departmental ruling.

Tenth. "The stopping of through trains for mail purposes at other than regularly scheduled stopping points for such trains" is held by transportation lines to be an unwarranted regulation, in that to comply with the same would seriously interfere with train movement and remove from the responsible operating officer the control of his operation.

Mr. WEEKS. Is that frequently done?

Mr. TAYLOR. It is becoming more frequent since the establishment of the parcel post. I might say that in other than the parcel post it is done.

Eleventh. A compliance with section 1330 involves a useless clerical expense for which there can be no adequate return.

Twelfth. Section 1334, paragraph 13, is objectionable in that it only allows six months in which to present evidence in connection with the applications for remissions of deductions or fines imposed on railroad companies. Six months is frequently not sufficient for the proper collection of the evidence necessary to meet such fines and deductions; and, further, the provision seems to be in conflict with

section 1069 of the Revised Statutes, which fixes the limitation in which action may be brought in the Court of Claims against the Government at six years.

The CHAIRMAN. What time would you suggest instead of the six months as being ample and proper?

Mr. TAYLOR. I would suggest the provision of the Revised Statutes—six years—as ample.

The CHAIRMAN. Would you consider it as necessary?

Mr. TAYLOR. Personally I would not; no, sir.

The CHAIRMAN. What would you think would be necessary? A year?

Mr. TAYLOR. I should say three years would be a fair compromise.

In addition to the above specific objectionable "administrative rulings" seriously affecting the compensation of transportation lines for service rendered the Government there are many other equally burdensome rulings in connection with the adjustment of railway mail compensation.

As illustrative of one of the points, there has come to my attention an instance where, for reasons best known to the department, empty mail equipment, the transportation of which has been withdrawn from railway postal cars during the mail-weighing period, was subsequently restored to and forwarded as mail in postal cars.

The CHAIRMAN. Which was withdrawn during the weighing period, carried by freight during that period, and then returned to the postal cars?

Mr. TAYLOR. Yes, sir.

Mr. WEEKS. That is an old charge. Have you any recent instances of that sort?

Mr. Taylor. Quite recent; yes, sir.

Mr. WEEKS. How recently?

Mr. TAYLOR. Possibly within a year.

Mr. WEEKS. Is there any reason?

Mr. TAYLOR. I will read the reason that was given.

The question of compensation for such service arose and the department expressed a willingness to compensate the carrier on the basis of freight rate transportation, but declined to make settlement on any other basis. The equipment in question involved 3,113 pieces, an aggregate weight of 142,765 pounds. Value of service performed on basis of express transportation, $4,087.67; value of service performed on basis of freight rate transportation, $1,152.59.

Mr. WEEKS. Did that happen on your line?

Mr. TAYLOR. Yes, sir.

Thus it will be seen that although the highest class of service was rendered by carrier line, the department declined to adjust on other than freight-rate basis, insisting that the loss of $2,935.08 be assumed by the carrier line; otherwise the service should remain unpaid for. Instances of this kind have not been uncommon in the past, but have been experienced in some form with frequency.

There is probably no line of endeavor that is more susceptible to cooperation or where success is more dependent upon cooperation than in the train and station service of a railroad, or where its absence is more quickly reflected in unfavorable results. I have in mind the employees having to do with the movement of trains. The prompt

and efficient manner in which each employee, in his particular sphere of responsibility, performs his duty, whether it be the conductor, having general charge of his train, the engineer, flagman, baggageman, postal clerk, or express messenger, all of whom cojointly must at all times contribute his best efforts if maximum efficiency of service is to be realized. In other words, it is vital that every man upon whom the success of the service depends should at all times do his full duty with the promptness that the service requires. I regret to say that it has not been the experience of the transportation lines that postal and transfer clerks have displayed that uniform cooperation so essential, and this fact is not infrequently reflected in delayed train movement. We believe that closer departmental supervision on educational lines, as applying to postal and transfer clerks, would result in marked improvement in the movement of mail trains, and thereby extend to the Railway Mail Service generally.

The CHAIRMAN. If you had a train carrying an R. P. O. car and the schedule time for the train to depart had arrived, would you hold the train if there was a railway mail clerk who had not arrived?

Mr. TAYLOR. We do those things.

The CHAIRMAN. Are you compelled to do it?

Mr. TAYTOR. The mail is a preferential service. All other branches of passenger-train service are subordinated to the mail. That is our practice.

The CHAIRMAN. So, if a railway mail clerk is late you hold your train until he arrives?

Mr. TAYLOR. I would not like to say until he arrives, but we would be reasonable about it.

Mr. LLOYD. How long would you wait?

Mr. TAYLOR. I would wait 30 minutes.

Mr. LLOYD. You would hold up a passenger train 30 minutes?

Mr. TAYLOR. I would do it. I have not had occasion to do it, but I would.

Mr. LLOYD. Did you ever do it?

Mr. TAYLOR. I have never held one that length of time.

Mr. LLOYD. Do you know of any other railroad that has held a train that long?

Mr. TAYLOR. I would not come in contact with that character of information.

The CHAIRMAN. How long have you held a train?

Mr. TAYLOR. I can not state a concrete case where we have held a train for the arrival of a postal clerk, but I can show you a number of instances where we held our trains for the work to be performed by postal clerks and by transfer clerks.

Mr. WEEKS. You would report that?

Mr. TAYLOR. I have a number of times.

Mr. WEEKS. Do you always report it?

Mr. TAYLOR. Not always, because they are too frequent.

Mr. WEEKS. Does the department take any action?

Mr. TAYLOR. I have never observed material improvement from such reports.

Mr. WEEKS. Do you know whether the employees are punished?

Mr. TAYLOR. I could not say.

There are instances where, apparently, the thought prevails in the minds of postal and transfer clerks that their time is their own and

their station work is conducted on that theory, which not only demoralizes the work and discipline of employees in other branches of the service, but actually results in delays in the operation of mail trains. I do not wish to convey the impression that postal or transfer clerks are altogether responsible for station delays, for I recognize that departmental economies have, in many cases, had the effect of reducing the number of employees in postal cars below a point where it is physically possible for postal clerks to handle their transfers with the promptness that they would otherwise, such economies being accomplished at the sacrifice of time and at the expense of the carrier in which the other branches of the services which the carrier undertakes to perform participate.

It is appreciated that the general question of railway mail service, as well as the general question of just compensation therefor, are problems of great magnitude and at the same time are capable of being worked out on lines of equity alike to the Government and the carriers. This much-desired end, however, can not be accomplished except through the most thorough cooperation of the parties at interest, and the carriers stand ready to extend that cooperation unstintingly.

The CHAIRMAN. We thank you very much, Mr. Taylor.

Thereupon, at 11.30 o'clock, the committee adjourned to meet at the call of the chairman.

# RAILWAY MAIL PAY.

THURSDAY, MARCH 27, 1913.

COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The hearing was resumed, at the call of the chairman, at 10.30 o'clock a. m.

Present: Senator Jonathan Bourne, jr. (chairman), and Senator John W. Weeks.

The CHAIRMAN. For the information of those present who have not attended informal conferences, I would like to say that conferences between members of the committee, representatives of the Postal Department, Mr. Lorenz, associate statistician for the Interstate Commerce Commission, and representatives of the transportation companies, and particularly members of the committee on railway mail pay, have been held almost daily since the last official hearings for the purpose of interchanging ideas and getting respective viewpoints relative to the subject matter of this inquiry.

The committee, by request, and upon compliance by the Interstate Commerce Commission, have had the very valuable assistance of its associate statistician, Mr. Lorenz, in the study in the past two weeks, and by permission of the commission he will continue to assist us in the study we now have before us for some time to come.

At the last hearing a request was made by the committee or representatives of the Postal Department and of the railroad companies to give further consideration to the seeming discrepancy between the deductions made by the two parties, the governmental representatives and the railroad representatives, as to the relative earnings in passenger service and the railway mail pay. In a reply by the Postal Department to the answers and briefs filed by the railroad representatives to Document 105, it appeared that the railroad companies figured the earnings per car-foot mile from mail service at 3.23 mills and 4.25 mills from other passenger service, whereas the departmental representatives figured the revenue from mail service at 4.14 mills per car-foot mile and 4.16 mills from other passenger service. The desire of the committee was to determine the reason for this apparent great difference in deductions based on apparently the same premise, namely, the information contained in Document 105. The committee have received a joint letter under date of March 15, 1913, representing their efforts in compliance with the request of the com-

mittee to submit further information relative to this seeming discrepancy. The letter is as follows:

WASHINGTON, *March 15, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, Congress of the United States.*

MY DEAR MR. CHAIRMAN: In response to the direction of the joint committee at its session February 12, 1913, the undersigned committees were designated by the Second Assistant Postmaster General and Mr. Ralph Peters, chairman committee on railway mail pay, to represent the Post Office Department and the railroads respectively, to consider the differences in the statements of revenue per car-foot-mile received by the railroads from the mail service and from other passenger-train services, as computed by the department and the committee on railway mail pay.

The earnings per car-foot-mile from the mail service and other passenger services as stated by the committee on railway mail pay were 3.23 mills for the mail service and 4.25 mills from other passenger services. These figures were computed from the data as reported by the companies represented by the railway mail pay committee and covered 178,716 miles of service.

The earnings per car-foot-mile, as stated by the Post Office Department in its memorandum dated January 17, 1913, in reply to the statement of the railroads entitled "Mail carrying railroads underpaid," were 4.14 mills for mail service and 4.16 mills for other passenger services. These figures were computed from the data as to space reported to the department by companies representing approximately 175,922 miles of service as reclassified by the department.

The differences between the car-foot-mile earnings by the two calculations are due entirely to the fact that the Post Office Department upon receipt of the data as to space from the railroads made certain modifications therein, based upon the space deemed by the Post Office Department to be necessary for its purposes and upon its rules with respect to assigning other space reported by the companies as mail space, which resulted in a reassignment of the car-foot-mile space to the different subdivisions of passenger train service.

A computation made by the Post Office Department from the data reported by the railroads, representing 187,760 miles of service, as actually operated in November, 1909, without any of the changes and modifications which the department deemed necessary and proper to make in preparing Document 105, brings the following results:

| | Mills. |
|---|---|
| Earnings per car-foot mile in mail service | 3.37 |
| In other passenger services | 4.34 |

The matter of an inquiry into the cost of construction, operation, and maintenance of railway postal cars, which you also referred to the committee, is being investigated and upon receipt of certain information asked for from the companies a further report will be made relative thereto.

Yours, very truly,

JOSEPH STEWART,
C. H. MCBRIDE,
A. N. PRENTISS,
*Committee Representing the Post Office Department.*

H. E. MACK,
O. J. BRADLEY,
H. P. THRALL,
*Committee Representing the Railroads.*

At the committee's request Mr. Lorenz, associate statistician for the Interstate Commerce Commission, made a study of the information contained in Document 105, and submitted a statement in reference to the figures and returns upon which the conclusions were arrived at by the postal and railroad representatives. The statement is as follows:

PASSENGER-TRAIN CAR-MILE EARNINGS IN 1910 FOR THE UNITED STATES AS A WHOLE.

Our first result, obtained by dividing the total earnings of passenger trains as given in the printed volume by the total mileage of all cars in passenger trains, is 25.51 cents per car-mile. If we eliminate those roads which report earnings but not car mileage, and also eliminate certain passenger earnings from ferry steamers, the average is not much affected, being 25.42 cents. It would be desirable to have separate averages for passenger service proper, for mail service, and for express service. The official statistics separate the earnings but can not separate the car mileage in these three groups. Such a separation requires a smaller unit. It is possible to make an estimate by dividing the car mileage between the three services according to the proportions given by the Post Office Department. If we take the Post Office Department's view that dead space should be charged to passenger proper, we get 82.18 per cent as the proportion of space in passenger trains devoted to other than mail and express purposes. According to the railroads' contention, the dead space should be charged to mail, and the percentage becomes 80.51 per cent. On these two bases, the passenger-car-mile revenue, excluding mail and express from consideration would be, according to the post-office percentage, 26.29 cents, and according to the railroad view, 26.84. With respect to the mail service, the difference as to dead space, again gives two percentages: Post office, 7.16 per cent; railroad, 8.83 per cent. These lead to a mail-car-mile revenue of 22.80 cents and 18.49 cents, respectively. Finally, the express would have 10.66 per cent of the train space, and the corresponding car-mile revenue would be 21.03 cents. It should be emphasized that these averages are in the nature of an estimate. They rest in part upon data annually reported to the commission, but also in part on the facts reported by the railroads to the Post Office Department for a single month. A warning should also be given against using a single average for the United States as a whole without a detailed consideration of similar averages for individual railroads. Finally, the averages given need some minor adjustments which could not readily be made on account of the clerical labor involved. They are offered simply as a basis for a discussion of method.

## STATEMENT OF W. A. WORTHINGTON.

The CHAIRMAN. Mr. Worthington, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you kindly state your full name, residence, and your official capacity with any transportation companies?

Mr. WORTHINGTON. W. A. Worthington. I am assistant director maintenance and operation, Southern Pacific Co.; residence, New York City.

The CHAIRMAN. How long have you been connected with the Southern Pacific Co. in your present official position?

Mr. WORTHINGTON. About 6 years, and with the Southern Pacific Co. about 26 years.

The CHAIRMAN. The matter of railway mail pay from the Government comes directly under your supervision, does it?

Mr. WORTHINGTON. In a general way. We have a mail traffic manager who handles the details.

The CHAIRMAN. You are the determining voice?

Mr. WORTHINGTON. Yes; I have general supervision.

The CHAIRMAN. Have you prepared a statement to submit to the committee relative to Document 105, and your comments on same?

Mr. WORTHINGTON. I have prepared a statement. First, a statement to be made for the Southern Pacific, which road I represent; and then I have some additional information, including some

graphic charts with relation to mail pay in the United States as a whole. Will it be agreeable for me to read this?

The CHAIRMAN. If you would, kindly.

Mr. WORTHINGTON. This presentation is made as a member of the committee on railway mail pay and in behalf of the Southern Pacific Co., of which I am assistant director of maintenance and operation.

I have read over and am familiar with the provisions of proposed bill S. 7371, also with the views of the Post Office Department as expressed in Document H. R. 105, and in behalf of our company wish to indorse the position taken by the committee on railway pay in respect to these matters as set forth in document entitled "Mail carrying railways underpaid," which has already been introduced in evidence by the chairman of the committee on railway mail pay.

The Southern Pacific Co. operates 10,052 miles of railway in the States of Louisiana, Texas, New Mexico, Arizona, California, Nevada, Utah, and Oregon. There are about 120 mail routes on this mileage, the average daily weight of each of these routes ranging from 24 pounds on the smallest to 93,613 pounds on the route of the densest traffic between Ogden and San Francisco; the total revenue from mail for the year ending June 30, 1912, was $2,472,769; the earnings from mail for each of the years from 1907 to 1912, inclusive, as compared with the earnings from other passenger train service being as follows:

| Year ending June 30— | Mails. | Other passenger-train service. |
|---|---|---|
| 1907 | $2,488,286 | $36,062,955 |
| 1908 | 2,369,763 | 38,251,443 |
| 1909 | 2,397,166 | 36,576,434 |
| 1910 | 2,409,503 | 42,811,625 |
| 1911 | 2,474,263 | 43,506,086 |
| 1912 | 2,472,769 | 42,786,324 |
| Increase, 1912 over 1907 | | 6,723,369 |
| Decrease, 1912 from 1907 | 15,517 | |
| Per cent | 0.62 | 18.64 |

The CHAIRMAN. Was your apportionment each year the same between your mail revenue and the passenger? All your deductions are on the same basis?

Mr. WORTHINGTON. Yes; exactly. They are taken from the annual reports of the company. In these five years, the mail revenue decreased 0.62 per cent, and other passenger-train revenue increased 18.64 per cent.

The CHAIRMAN. Those are your gross revenues?

Mr. WORTHINGTON. Yes, sir.

The CHAIRMAN. Not net at all?

Mr. WORTHINGTON. No; gross.

The CHAIRMAN. You did not try to work that down?

Mr. WORTHINGTON. No; I have reached that afterwards.

The CHAIRMAN. That is gross revenue?

Mr. WORTHINGTON. That is gross revenue. That is simply put in to show while our mail pay has been declining to a slight extent our earnings from other passenger service have increased materially.

The CHAIRMAN. That is gross?

Mr. WORTHINGTON. Yes. The total number of postal cars owned on June 30, 1912, was 64.

The annual report for the Southern Pacific Co. for 1912 not having been issued when these data were prepared (the ratio of operating expenses to earnings for that year was greater than in the previous year), the following statistics are presented for the Southern Pacific Co. for year ending June 30, 1911, showing service performed in handling the mails as compared with revenues received in contrast with similar information for other traffic.

*Mail service, Southern Pacific Co., year ending June 30, 1911.*

| | |
|---|---|
| Received for mail transportation | $2,272,791 |
| Received for railway post-office cars | 201,472 |
| Total | 2,474,263 |
| Ton-mileage of mails transported | 25,773,572 |
| Car-foot miles occupied by mails | 610,929,100 |
| Gross ton-miles: | |
| Car weight at three-fourths ton per car-foot mile | 458,196,683 |
| Ton-miles clerks, at 3 men per car (8 pounds per car-foot mile) | 2,443,716 |
| Revenue ton-miles of mail | 25,773,572 |
| Total | 486,413,971 |

The CHAIRMAN. How do you get the gross weight of the clerks?

Mr. WORTHINGTON. I estimate that by three men per car, 8 pounds per car-foot mile.

The CHAIRMAN. How do you estimate the average weight of the three men?

Mr. WORTHINGTON. At an estimated average weight on the postal cars. We have them in our statistics.

The CHAIRMAN. I understand you to say gross weight of clerks.

Mr. WORTHINGTON. You mean how much do I estimate for each man?

The CHAIRMAN. Yes.

Mr. WORTHINGTON. I think 160 pounds. It is 8 pounds per car-foot mile.

The CHAIRMAN. That is an arbitrary figure?

Mr. WORTHINGTON. Yes; that would be arbitrary.

| | |
|---|---|
| Mail pay per revenue ton-mile, excluding railway post-office car pay—cents | 8.818 |
| Mail pay per revenue ton-mile, including railway post-office car pay—cents | 9.600 |
| Mail pay per gross ton-mile, including railway post-office car pay—mills | 5.086 |
| Mail pay per car-foot mile, including railway post-office car pay—do | 4.05 |
| Mail pay per 60 car-foot miles—cents | 24.30 |

The CHAIRMAN. In that connection, do you receive compensation for the 60 feet or only 50 feet?

Mr. WORTHINGTON. This, of course, includes car-foot mileage, which we reported to the department, and does not include the deductions made by the Post Office Department in the car-foot mileage which they considered not required.

The CHAIRMAN. That is dead space you credit to yourself?

Mr. WORTHINGTON. Yes.

The CHAIRMAN. And debit the Government as well. The department reverses that?

Mr. WORTHINGTON. Yes.

| | |
|---|---|
| Mail pay per 350 car-foot miles (the average passenger train inside length) | $1.42 |
| Tons of gross weight per ton of paying weight | 18.87 |
| Tons of dead weight per ton of paying weight | 17.87 |
| Average tons mail per 60 feet of car space | 2.53 |

PASSENGER SERVICE OTHER THAN MAILS.

| | |
|---|---|
| Revenue from passengers and express | $43,506,086 |
| Car-foot miles for passengers and express | 8,334,500,000 |
| Ton-miles weight of passengers and baggage at 200 pounds per passenger | 180,813,360 |
| Ton-miles weight of express | 52,063,558 |
| Total revenue ton-miles | 232,876,918 |
| Ton-miles weight of cars at ¾ ton per car-foot mile | 6,250,875,000 |
| Total gross ton-miles | 6,483,751,918 |
| Revenue per revenue ton-mile—cents | 18.68 |
| Revenue per gross ton-mile—mills | 6.71 |
| Revenue per car-foot mile—do | 5.22 |
| Revenue per 60 car-foot miles—cents | 31.32 |
| Revenue per 350 car-foot miles (the average passenger train inside length) | $1.83 |

FREIGHT SERVICE.

| | |
|---|---|
| Total miles run by freight cars | 529,341,793 |
| Car-foot miles run by freight cars at 38 feet average length | 20,098,988,134 |
| Total miles revenue freight | 7,479,204,761 |
| Ton-miles dead weight, at 18 tons per car | 9,528,152,274 |
| Total miles gross weight | 17,007,357,035 |
| Revenue received for transporting freight | $73,677,293 |
| Revenue received per car-mile, loaded and empty—cents | 13.92 |
| Revenue received per car-foot mile—mills | 3.67 |

Eliminating space used by company freight (17 per cent) the freight revenue becomes 4.36 mills per car-foot mile, or more than from mails.

In other words, we received more for hauling freight on freight trains than we do for hauling mail on passenger trains per car-foot mile.

The CHAIRMAN. You receive more for hauling freight than you do for your passengers, per car-foot mile?

Mr. WORTHINGTON. No, sir. For passengers we receive 5.22 mills.

The CHAIRMAN. You receive more for passengers than you do for freight?

Mr. WORTHINGTON. Yes; but less for mail than we do for freight per car-foot mile.

The CHAIRMAN. And less for mail than you do for passenger or freight, per car-foot mile?

Mr. WORTHINGTON. Yes, sir; considerably less.

| | | |
|---|---|---|
| Revenue received per ton-mile of freight (commercial) | cents | 1.175 |
| Revenue received per gross ton mile | mills | 4.33 |
| Tons of gross weight per ton of paying weight | | 2.27 |
| Tons of dead weight per ton of paying weight | | 1.27 |
| Length of average freight train | feet | 1,272 |
| Revenue of average freight train (including space used by company freight) | | $4.67 |

Following is an estimate for passenger train service on the Southern Pacific Co. for the year ending June 30, 1911, comparing the operating revenues from mails and from other passenger-train service hereinbefore referred to, with the operating expenses chargeable to the respective services. The estimate for operating expenses is made on the basis used by the railroad company in furnishing for November, 1909, to the Postmaster General an apportionment of operating expenses of passenger-train service. In brief, this apportionment first considered expenses which might be altogether charged direct to passenger-train service, then withdrew from consideration similar items chargeable altogether to freight service, the remaining operating expenses being apportioned to passenger-train service on a train-mileage basis. This basis was considered carefully in view of the fact that many of these expenses are greater per train-mile for passenger than for freight, such as expenses for casualties, the necessity for expensive terminals, delays to other traffic through preference given to passenger trains, additional main tracks, and, particularly, higher standards of maintenance of roadbed required for higher speed passenger-train movement.

*Southern Pacific Co.—Summary of results, passenger-train service.*

| | Mails. | Other. | Total. |
|---|---|---|---|
| Operating revenue | $2,474,263 | $43,506,086 | $45,980,348 |
| Operating expenses | 2,871,367 | 39,200,652 | 42,072,019 |
| Operating income | | 4,305,434 | 3,908,329 |
| Operating loss | 397,104 | | |
| Taxes, fixed charges, and dividends [1] | 1,099,672 | 14,993,450 | 16,093,122 |
| Deficit | 1,496,776 | 10,688,016 | 12,184,793 |
| Ratio to revenues: | *Per cent.* | *Per cent.* | *Per cent.* |
| Operating expenses | 115.9 | 89.9 | 91.5 |
| Taxes, fixed charges, and dividends | 44.4 | 34.5 | 35.0 |
| Total | 160.3 | 124.4 | 126.5 |
| Revenue ton-miles | 25,773,572 | 232,876,918 | 258,650,490 |
| Gross ton-miles | 486,413,971 | 6,483,751,918 | 6,970,165,889 |
| Car-foot miles | 610,929,100 | 8,334,500,000 | 8,945,429,100 |
| Per revenue ton-mile (cents): | | | |
| Operating revenue | 9.60 | 18.68 | 17.78 |
| Operating expenses | 11.14 | 16.83 | 16.27 |
| Operating income | | 1.85 | 1.51 |
| Operating loss | 1.54 | | |
| Taxes, fixed charges, and dividends | 4.27 | 6.44 | 6.22 |
| Deficit | 5.81 | 4.59 | 4.71 |

[1] Taxes, interest, and dividends have been apportioned to passenger service on basis of operating revenue, although it would be equally fair to apportion these expenses on basis of train mileage, in which case the amount so apportioned to passenger-train service would have been over 50 per cent greater than the totals apportioned on the basis of revenue. Nothing charged to passenger for company freight. Ratio of operating expenses to operating revenue for all traffic, 64.10.

Senator WEEKS. What do you mean by "operating"?

Mr. WORTHINGTON. That is the proportion of operating expenses chargeable to the transportation of mails.

Senator WEEKS. What does that include?

Mr. WORTHINGTON. It includes all of the operating expenses as classified by the Interstate Commerce Commission, following that classification, maintenance of way and structures, maintenance of equipment, transportation expenses, traffic, and general expenses.

Senator WEEKS. It is the Interstate Commerce Commission basis?

Mr. WORTHINGTON. The Interstate Commerce Commission classification of operating expenses.

The CHAIRMAN. Let me ask you, as a railroad representative, do you think it is material to the railroad company from what source they receive their revenue, providing their revenue received is sufficient to pay operating expenses and dividends?

Mr. Worthington. Why, I think it is. I think that the railroads should, wherever practicable receive from any class of traffic revenue sufficient to cover its proper share of all the operating expenses and the fixed charges, for the reason that if they do not it means that the other classes of traffic will have to bear that burden—in other words, the shippers of freight are really paying more than their share as compared with traffic received from passenger trains.

The CHAIRMAN. That is a matter for the citizens. I am speaking from the railroad standpoint purely. The desideratum of the railroads is to receive sufficient earnings to enable them to pay all fixed charges and expenses and dividends on the investment, is it not?

Mr. WORTHINGTON. Yes, sir.

The CHAIRMAN. You make your apportionment of your earnings, you know what your gross earnings are in determining the profit on the freight or the passenger or the mail or express? And your determination as to your apportionment is arbitrary, more or less, principally more?

Mr. WORTHINGTON. Yes. Practically half of the operating expenses have to be apportioned arbitrarily.

The CHAIRMAN. So from the railroad standpoint it is not so imporant as to the source from which the revenue comes, provided the burden is not placed on the revenue-producing source to such an extent as to eliminate that as a factor, is it?

Mr. WORTHINGTON. I think it is, Mr. Chairman, because we have constantly to defend rate cases for example, and it would be rather difficult to defend them, if it is conceded to be proper to operate certain classes of traffic for an unduly low rate and throw all the burdens of the fixed expenses on the freight shippers.

The CHAIRMAN. According to your statement, if I correctly unstand it, you show a loss there in round figures of some $12,000,000 from the passenger service, including in your passenger service, I assume, express and mail.

Mr. WORTHINGTON. Yes.

The CHAIRMAN. On presentation of that to the Interstate Commerce Commission for your freight rates the freight has to bear that burden, and presumably the allowance would be made before its permission would be granted to increase your passenger rates from somebody in authority, would it not?

Mr. WORTHINGTON. Yes; but we find it pretty difficult to increase the passenger rates. We have not been able to do it.

The CHAIRMAN. Why, if you can make a showing and demonstrate the correctness of the fact that you are carrying it at a loss of $12,000,000?

Mr. WORTHINGTON. We are constantly met with State legislation fixing 2-cent passenger fares, which we have defeated, in some cases.

The CHAIRMAN. Have you tried at all to get relief from the Interstate Commerce Commission?

Mr. WORTHINGTON. They have not any jurisdiction in the States.

The CHAIRMAN. Would they have in interstate passenger business?

Mr. WORTHINGTON. Yes.

The CHAIRMAN. Has that question ever been brought up before the commission?

Mr. WORTHINGTON. I do not know that it has.

The CHAIRMAN. When did the Southern Pacific initiate this system of bookkeeping by which you show a loss in the passenger and mail service?

Mr. WORTHINGTON. The system of bookkeeping was not initiated by the Southern Pacific Co. As I before explained, the apportionment was made following the method we used in answering the request of the ex-Postmaster General for the month of November, 1909. We followed a suggestion made by the committee on railway mail pay.

The CHAIRMAN. In the information that you secured, yourselves, in answering the questions of the ex-Postmaster General in 1909, it is on that information that you base your conclusions in the loss of the passenger service of $12,000,000, in round numbers?

Mr. WORTHINGTON. Yes.

The CHAIRMAN. But you had no method of bookkeeping prior to that by which you showed a loss in the passenger service, or a loss in the carriage of the mails?

Mr. WORTHINGTON. We do not regularly apportion expenses to passenger and freight, because we know such an apportionment has to be, in its end, largely arbitrary. In fact, 50 per cent of it has to be apportioned, or a very large portion of it, in that way.

The CHAIRMAN. Then you would not consider the information that you obtained under requests, or in answering the questions propounded by ex-Postmaster General Hitchcock in 1909, of any practical benefit and value to your company in operating your railroad? You do not change your accounts to comply with that?

Mr. WORTHINGTON. No, sir. We do not consider it necessary to keep accounts separate as to passenger and freight train service, but in answering the requests of 1909 we adopted the basis which we thought was fairest for apportioning these fixed expenses.

The CHAIRMAN. You have to make an apportionment between freight and passenger to go before the Interstate Commerce Commission to show that your freight rates are, from your viewpoint, too low in asking for an increase in rates, do you not?

Mr. WORTHINGTON. I do not know that I have made any apportionment of that sort. I do not understand what case you refer to.

The CHAIRMAN. I am not referring to any particular concrete case, but it seems to me, if you appear before the Interstate Commerce Commission to defend, if you please, or to secure authority

for an increase in a freight rate, you have to take into consideration in your presentation an apportionment between the revenue and the cost of freight and passenger in some way. How is that apportionment made, practically on arbitrary figures?

Mr. WORTHINGTON. The only cases I have any recollection of, of that sort, are in relation to some concrete cases and we have never taken up the question of freight rates as a whole. In those special cases we have made estimates of cost of handling particular commodities. I recall several cases where we have made estimates, but I do not recall any case where we have asked for an increase in freight rates as a whole, which would involve any general apportionment of the expenses, as between passenger and freight.

The CHAIRMAN. In connection with the merits of your application for an increase of a particular freight rate, how do you demonstrate your case, if you have not somewhere in your calculations an apportionment between your passenger and freight revenues and expenses?

Mr. WORTHINGTON. We have made an apportionment similar to this in those cases, and of course in those cases we also have to consider the local conditions. We have to consider the carloading of the commodity in question, the length of the train that we haul with that commodity, and there are a great many other factors that are considered in the same connection.

The CHAIRMAN. But nowhere in the calculation is there an arbitrary apportionment made, as, for instance, your gross revenues, so many tens of millions, 70 per cent freight and 30 per cent passenger, or whatever percentage it may be, your expenses so many tens of millions, and an arbitrary percentage is charged to passenger service and an arbitrary percentage to freight?

Mr. WORTHINGTON. Yes; of course it is necessary to make some apportionment of your expenses if you want to make any exhibit as to the result in any particular class of traffic.

The CHAIRMAN. What is your apportionment, in percentage, between freight and passenger?

Mr. WORTHINGTON. It varies. Of course, I could not say offhand, because it varies with every class of traffic we are moving.

The CHAIRMAN. How does it vary? Supposing you are handling lumber or handling tea? What has that to do with what your passenger revenues are?

Mr. WORTHINGTON. Your trainload may be greater according to the class of commodities handled, and you may have 50 per cent more tonnage of freight in a car of one commodity than another, and naturally your tonnage expenses would be less.

The CHAIRMAN. But nowhere in that presentation is there a general apportionment between passenger and freight on the earnings and expenses of the system as a whole?

Mr. WORTHINGTON. The only general apportionment I recollect that we have made on that subject is the one for November, 1909, and that is the one that was made to ex-Postmaster General Hitchcock.

The CHAIRMAN. And it has never been required to furnish to the Interstate Commerce Commission in any way?

Mr. WORTHINGTON. No. I think the Interstate Commerce Commission, up to 1893, apportioned expenses between passenger and freight. That is the only apportionment that I know of. The Interstate Commerce Commission themselves, you recall, up to 1893, did require the railroads to make an apportionment between passenger and freight service, and they dropped it in 1894.

The CHAIRMAN. As impracticable?

Mr. WORTHINGTON. Yes. It was unsatisfactory and unreliable. I do not recall what their reason was. That apportionment was the only general one that I know of, except this one of November, 1909.

*Southern Pacific Co.—Summary of results, passenger-train service.*

| | Mails. | Other. | Total. | | Mails. | Other. | Total. |
|---|---|---|---|---|---|---|---|
| Per gross ton-mile (mills): | | | | Per car-foot mile (mills): | | | |
| Operating revenues.. | 5.09 | 6.71 | 6.60 | Operating revenues.. | 4.05 | 5.22 | 5.14 |
| Operating expenses.. | 5.90 | 6.05 | 6.04 | Operating expenses.. | 4.70 | 4.70 | 4.70 |
| Operating income.. | ..... | .66 | .56 | Operating income.. | ..... | .52 | .44 |
| Operating loss..... | .82 | ..... | ..... | Operating loss..... | .65 | ..... | ..... |
| Taxes, fixed charges, and dividends..... | 2.26 | 2.33 | 2.31 | Taxes, fixed charges, and dividends..... | 1.80 | 1.80 | 1.80 |
| Deficit..... | 3.08 | 1.67 | 1.75 | Deficit..... | 2.45 | 1.28 | 1.36 |

The CHAIRMAN. In your operating losses for mail, as contained in your statement, all deductions are based on your investigation or ascertainment made in 1909 in answering the Postmaster General's questions?

Mr. WORTHINGTON. Yes, sir. Special information worked up at that time.

The CHAIRMAN. And your apportionments are arbitrary—made by your company's representative? Your dead space is charged to the mail?

Mr. WORTHINGTON. I would qualify that by saying that the mail's dead space is charged to the mail. Of course, dead space in connection with passenger-train service is charged to the passenger-train service. Mail is not the only service that has dead space, and the mail dead space is the space the Postmaster General has charged to passenger service where it has no connection whatever.

The CHAIRMAN. Taking your deductions in submitting your premises to the Post Office Department, your inference would be that they would not show the same apparent loss to your company in compensation received for mail transportation that you do?

Mr. WORTHINGTON. Certainly not, because they have excluded the dead space and thereby increased the receipts per car-foot mile to that extent.

The CHAIRMAN. They not only excluded the dead space which you claim should be credited to the mail, but that exclusion has been adopted as to passenger, thereby not only diminishing your deduction as to your revenues from mail service, but increasing the apparent computation as to revenue from other passenger service?

Mr. WORTHINGTON. Precisely.

The CHAIRMAN. So your contention is that the Postal Department has not used the proper basis; in other words, they have charged you with two debits in securing deductions by which the information will

present the difference between the percentage of passenger compensation and mail compensation, and if any deduction is to be made at all for dead space it should be made in both instances, both in the mail and in the passenger?

Mr. WORTHINGTON. We have included dead space chargeable to passenger and express service, and we think that similar dead space should be included by the department when it comes to mail.

The CHAIRMAN. In your presentation you have included dead space in all three—passenger, mail, and express?

Mr. WORTHINGTON. Yes.

Senator WEEKS. The Southern Pacific Railroad knew, before 1909, that it was losing money in the transportation of the mail?

Mr. WORTHINGTON. I would not claim that the Southern Pacific were actually losing money in the transportation of the mail. I claim that the mail revenue is insufficient to pay not alone the direct cost of movement but its proper pro rata of the fixed expenses.

Senator WEEKS. When I say "losing" I am including all expenses, including overhead charges.

Mr. WORTHINGTON. Yes, Senator, we did that.

Senator WEEKS. How did you know?

Mr. WORTHINGTON. Through computations of this kind, which we made ourselves and through a presentation which we made about 13 or 14 years ago before the first congressional commission to investigate the mail service. At that time the Southern Pacific made a presentation, and Mr. Kruttschnitt made one later, in New York, for all the railroads of the United States, and the results were about the same as this.

Senator WEEKS. Then this information obtained in 1909 did not give you any new information on that subject?

Mr. WORTHINGTON. No, sir. Nothing. We were quite sure that would be the result.

Senator WEEKS. Do you think that is true of all railroads—that they had that information before?

Mr. WORTHINGTON. Of course, I would not want to speak for other railroads with which I am not connected. I suppose there are some railroads which probably had the same impression.

The CHAIRMAN. In your elucidation, I understood you in replying to Senator Weeks's question, to state that you would not claim that the Southern Pacific was actually losing money in mail transportation under the present compensation that you receive, and yet in your statement a little while ago, according to my understanding, you make a showing of about two millions loss on mail, or twelve million in passenger, including mail.

Mr. WORTHINGTON. Passenger train service, including mail service, does not return a sufficient gross amount to pay its pro rata of operating expenses, which was, to a certain extent, independent of train mileage. We will take, for example, maintenance of way and structures, which is, I think, 22 or 23 per cent of the total operating expenses; that means the upkeep of the road, renewal of rail, ties, and ballast. That is something it is absolutely impossible to put to train mileage, and we think that it is proper it should be apportioned to all classes of service. We might run an additional train over the road without, perhaps, adding directly to that particular item of expense, but that is an item of expense that has to be

apportioned to some class of traffic, and we think it should be apportioned to all classes of traffic and that no one class should bear the entire burden.

The CHAIRMAN. Do you think it is possible to work out an apportionment on a percentage basis of charge against mail service that would be permanent, or would it have to be changed from year to year as conditions vary?

Mr. WORTHINGTON. You mean on a cost basis, on the so-called cost basis?

The CHAIRMAN. Yes.

Mr. WORTHINGTON. It would have to be changed from year to year and be charged out on a different basis for practically every railroad in the country, to be entirely fair. The local conditions are so different. I will come into that very soon. You were asking a moment ago whether the difference between the results shown on this system and those shown by the ex-Postmaster General were due to the handling of the dead space. That is one reason for the difference. The other reason is on account of the difference in apportionment that he used for his operating expenses to mail service as compared to that used by the railroads. His basis apportioned less to passenger train service than any method of which I have any knowledge. He apportioned less expense to passenger train service.

The CHAIRMAN. How much would that account for in the seeming discrepancy in the result obtained?

Mr. WORTHINGTON. Ex-Postmaster General Hitchcock shows, in House Document No. 105, that they were making considerable profit in handling the mails.

The CHAIRMAN. Is that profit due to his method of handling dead space, or is it due principally to his method of apportionment?

Mr. WORTHINGTON. To both, I think, but principally to the apportionment. I will say, I think it is almost half and half. I know he cut out a very large amount of dead space, but I think mostly to the apportionment of expenses.

The CHAIRMAN. Then I had an incorrect impression. I supposed that the apparent difference was due primarily to the method of handling dead space.

### SPECIAL COMPARISON BETWEEN MAIL, PASSENGER AND EXPRESS.

According to the information prepared by the company for November, 1909, in response to inquiry of the Postmaster General, the revenue per car-foot mile for the Southern Pacific Co. averaged from mails 4.05 mills; from express 3.84 mills; and from passengers 5.34 mills. The Southern Pacific Co. under its express contract receives only 40 per cent of the express rate on account of having received when the contract was made a cash and stock bonus. It is, therefore, fairer to compare the revenue per car-foot mile on the Union Pacific system where the usual contract is in effect. On that system the mail revenue per car-foot mile is 4.03 mills, or practically the same as on the Southern Pacific Co., whilst the express revenue per car-foot mile is 4.48 mills. The conditions surrounding the transportation of mails are particularly expensive. Our present common standard steel car, 60 feet long, weighs 116,000 pounds, or 37 per cent heavier than a

similar car not built to the Post Office Department's specifications, including post-office fixtures. Such a car, which we use for baggage or express, weighs when built of steel and of the same length as the postal car, only 84,500 pounds. The average weight of load in an express car is about five tons, or from 70 per cent to 100 per cent greater than the load in a mail car. The ratio of dead to paying weight is twice as great for mail as for express, whilst the first cost of the mail car is 40 per cent greater than the car without the postal facilities, which is used for baggage and express, and the cost of ownership and maintenance is therefore greater.

Senator WEEKS. Is that true of all kinds of cars?

Mr. WORTHINGTON. I am simply making a comparison between cars used for express and those used for mail.

Senator WEEKS. Would that be true of steel cars?

Mr. WORTHINGTON. Passengers cars?

Senator WEEKS. No; I am speaking of steel cars.

Mr. WORTHINGTON. I am speaking of steel cars in this case, steel baggage car and steel express car. A steel postal car on our road is 37 per cent heavier than a baggage car without the postal features.

Special expenses incident to the mails are also greater, such as the large number of employees moved in proportion to tonnage account of mail clerks distributing enroute; the liability of accidents to these clerks borne by the railroad; free transportation granted to postal inspectors on all trains; and particularly side and terminal mail service required of the railroads. The railroads are also subject to fines for delays.

In comparing mails with passengers, the space charged to passengers includes baggage cars, dining cars from which special revenue is received, observation and sleeping cars. For the latter more space and weight per passenger is required than for ordinary passenger cars, additional revenue being collected from passengers for the special facilities, most of which is paid to a sleeping-car company, but in consideration of which the railroad is relieved of the cost of ownership and maintenance of the space in the sleeping cars. If allowances were made for revenue collected from passengers outside of the strict railroad fare, the revenue paid by passengers per car-foot mile would be considerably greater than shown.

*Comparison of mails with freight.*

| | | |
|---|---|---|
| Revenue per car-foot mile from mail | mills | 4.05 |
| Revenue per car-foot mile from commercial and company freight | do | 3.67 |
| Revenue per car-foot mile from commercial freight only | do | 4.36 |
| Revenue per car-foot mile—commercial freight in loaded cars only | do | 6.14 |
| Average length of a passenger train | feet | 350 |
| Average length of a freight train | do | 1,272 |
| Average revenue from mail space equal to the length of an average passenger train | | $1.42 |
| Average revenue from a freight train carrying both commercial and company freight | | $4.67 |
| Average revenue from a freight train carrying commercial freight | | 5.55 |
| Average revenue from a freight train carrying loaded cars of commercial freight only | | $7.81 |

Company freight is handled as much for account of passenger service as for freight service, this freight including fuel used by locomotives, rails, ties, lumber, and metals for maintenance of structures

and equipment. After making proper allowance for the space used by company freight, which brings in no revenue to the railroads, the freight revenue per car-foot mile is actually greater than the mail revenue after including the car space in empty cars, which represents a considerable part of the freight service. The freight train is three and one-half times as long as the passenger train, whilst the speed at which mail is transported while the train is moving is two or three times as great as freight; and the speed of transportation after including station and terminal delays is three to five times as great in the case of mails as with freight. That under the conditions attending its transportation we are permitted to earn only one-third as much for a train length of mail equaling the average passenger train as we do in the case of a freight train, whilst we must incur large special expenses and obligations incident to mails, is, it seems to us, conclusive evidence of the inadequate compensation for the handling the mail traffic as compared with freight traffic. Incidentally, this is also true as to passenger-train service as a whole when compared with freight, although the mails are less remunerative than any other class of service.

During the past 10 or 15 years rising labor and material prices have largely increased the unit cost of railroad transportation. In the case of freight, where the loading and movement is largely within the control of the carrier, the railroads have been able to offset this in great degree by building larger capacity cars and hauling more or less of them in a train through the use of heavier locomotives. In passenger service the rising costs of operations have been similarly attended by an increase in weight and cost of cars, the latter due to higher prices coupled with substitution of steel for wood construction, this equipment likewise requiring heavier locomotives, but it has been impossible to materially increase the carrying capacity of passenger cars or the loads in them, which would be the only way in which the railroads could recoup themselves for higher operating costs. This is particularly so in the case of mail transportation; the method of handling it is beyond the control of the railroads, the loading of cars being limited, due to the requirement for furnishing postal facilities and space for clerks distributing mail en route. Instead of increasing the payments to the railroads for the R. P. O. cars as an offset to the higher operating costs and increased weight and cost of equipment, the act of Congress of March 2, 1907, reduced the R. P. O. car rates about 16 per cent.

### RAILWAY POST-OFFICE CARS.

In some quarters there seems to be an impression that the additional compensation allowed the railroad company for railway postal cars represents a rental on the value of these cars and is, therefore, excessive, as the usual compensation for a car making the normal mileage will equal the value of a car in about two years. Payment to the railroad, however, includes not only payment of rental to cover interest on investment, depreciation, and cost of maintenance, but also is supposed to cover the extra cost imposed on the railroads of hauling in trains the great weight and space due to moving a distributing post office on wheels, with necessary working space for clerks, as compared with transporting the mails merely as weight,

in which case far less space would be required, and that in much lighter cars. Indeed, it is likely that but for the traveling post offices the available space elsewhere on the train might be sufficient for most of the tonnage now carried in the R. P. O. cars.

Senator WEEKS. Do you know how much cheaper the Southern Pacific Railroad could carry solid mail trains, or cars filled with mail, than they can R. P. O. cars with distribution facilities?

Mr. WORTHINGTON. They could carry the aggregate mails, of course, very much cheaper, and if the cars were loaded solid they would probably hold from 20 to 25 tons of mail. It would be very easy to get that much mail, loading the cars to the roof, whereas in the R. P. O. car we get only 2½ tons.

In other words, a load of 10 R. P. O. cars would go into a single baggage car. In other words, there would be about one-tenth as much.

Senator WEEKS. How much lower would the rate be if all mail were transported in solid carloads? Did you ever figure that out?

Mr. WORTHINGTON. No. Under the present law I suppose the only saving would be in the R. P. O. car pay.

Senator WEEKS. I understand, under the present law, but I mean as a practical railroad proposition.

Mr. WORTHINGTON. I have never figured it out, but the cost would only be a fraction as much as hauling cars loaded solid with mail as compared with hauling mail in R. P. O. cars with 2½ tons to a car.

Senator WEEKS. How many such trains do you have on the Southern Pacific Railroad; that is, solid mail trains?

Mr. WORTHINGTON. We have not any solid mail trains. We have the mail train which has some storage mail in addition to the R. P. O. cars. We have no sold mail trains without distributing cars in them.

The CHAIRMAN. How many trains have you which do not carry passengers and express?

Mr. WORTHINGTON. On the Southern Pacific I think we have not any train that does not carry some express with it. We put express cars on our mail trains on the Southern Pacific.

Senator WEEKS. But you have trains which do not carry passengers?

Mr. WORTHINGTON. That train. Then we have a train of that sort which does not carry passengers. There is one train only, and that is the train on the route from Ogden to San Francisco. We have not any other trains that carry mails only and no passengers.

The cost of a 60-foot steel R. P. O. car at the present time is between $10,000 and $11,000. Senate Document No. 810, Sixty-first Congress, third session, covering letter of the chairman of the Interstate Commerce Commission of February 2, 1911, gives this cost as $9,500 to $10,500. Ten thousand dollars may be taken as rather below than above the average price. This same letter gives the cost of repairs to postal cars as $7.50 per 1,000 miles. This is less than our experience, and, as the railroads are often obliged to make changes in interior arrangement by direction of the department, we believe it is too low, but have nevertheless adopted it for this purpose. The cost of cleaning, lighting, and heating the car is given in the document referred to as $4.75 per 1,000 miles. These cars make an average mileage of 90,000 to 100,000 yearly, the Interstate Commerce

Commission using the latter figure in its computations by which they determine that the annual cost of maintenance per postal car amounts to $1,225.

The CHAIRMAN. Do they determine the annual deterioration?

Mr. WORTHINGTON. That is maintenance only. They do not determine that.

The CHAIRMAN. What do you figure the life of a postal car?

Mr. WORTHINGTON. If we allow only 8 per cent for interest on the investment and depreciation, that would be, I should say, from 20 to 30 years; I should say not more than that.

If we allow only 8 per cent for interest on investment and depreciation—a low figure—$800 must be set aside for this purpose. A conservative estimate of the actual cost of hauling in trains—that is to say, train hauling cost, excluding station and road forces and all other operating expenses—would be 15 cents per mile run, or $15,000 per annum. This would make an aggregate for direct train haul and maintenance per annum of $17,025, or, say, 17 cents per mile run.

To cover these expenses the railroads receive from the department for railway post-office car pay for 60-foot car $40 per mile per annum, or 10.96 cents per day for furnishing a car, maintaining it, and hauling it both ways over a mile of railroad, this being equivalent to 5.46 cents per car-mile run. Assuming an average annual mileage of 100,000, the total R. P. O. car pay per annum would be $5,480, or about one-third of the above expenses. In the case of half lines, where no pay is received for return movement, the revenue would be only one-half of this.

The following comparison is made of rates per mile received by us for 60-foot R. P. O. cars as compared with rates we would receive under our published tariff from Chicago to California for moving empty cars belonging to other railroads:

| | Cents. |
|---|---|
| Railway postal-car pay for 60-foot car, per mile run | 5.5 |
| Tariff rates for empty sleeping and dining cars, per mile run | 16.7 |
| Tariff rates for passenger coaches, per mile run | 15.4 |
| Tariff rates for empty freight cars moving in freight trains, per mile run | 8.3 |

The CHAIRMAN. That is what you receive from other roads?

Mr. WORTHINGTON. Yes, sir; in other words, the tariff rate for an empty freight car in a freight train is more than the R. P. O. car pay.

It should be borne in mind that the tariff rates referred to are for hauling in trains only, and do not include any obligation on the part of the carrying railroad for maintenance or cost of car ownership.

The CHAIRMAN. In that connection, your computation is based entirely there on R. P. O. revenue?

Mr. WORTHINGTON. Yes, sir.

The CHAIRMAN. Should you not take into consideration also the revenue you receive in the railway mail, for the mail that you carry in the R. P. O. car?

Mr. WORTHINGTON. This comparison I have made here is also with hauling empty passenger cars and empty freight cars. There is no tonnage in those cars. In other words, we get that much for hauling an empty car.

The CHAIRMAN. From other railroads?

Mr. WORTHINGTON. From other railroads.

The CHAIRMAN. You think your comparison there is absolutely fair, do you? In other words, do you not think, to make a comparison of greater value, you should include an estimate as to the indirect compensation that you receive in railway mail pay for the 2½ tons of mail that you figure the R. P. O. car will carry on an average?

Mr. WORTHINGTON. We included that. I think it would also be fair to include what we receive for a loaded passenger car or a loaded freight car. I do not think it would be fair to compare what we receive for R. P. O. car pay with freight in it with a rate for empty passenger cars or empty freight cars.

The CHAIRMAN. In your tariff sheets on freight and also on passenger, do you not take into consideration, in making your tariff, a tariff sufficiently high to pay the expenses of figuring that one-third of your freight cars are probably empty on your return trip and that 75 per cent of the full carrying capacity of your passenger cars are empty on the average?

Mr. WORTHINGTON. I think you misunderstood me, Senator. This is not a rate for hauling an average empty freight car. This is a rate we would make like this: We make a rate for hauling a through freight car for some railroad which might purchase a car. It does not include the ordinary interchange of average empty and loaded freight cars. It is simply our tariff rate. If some one offers us for transportation an empty freight car or a passenger car to reach some destination——

The CHAIRMAN. For a concrete case, suppose the New York, New Haven & Hartford sent 100 cars of freight over your line to the Pacific coast and 20 of those come back empty. They ask to have them returned.

Mr. WORTHINGTON. They would be hauled free.

The CHAIRMAN. They would be hauled free?

Mr. WORTHINGTON. If we receive a load in one direction.

The CHAIRMAN. Then your compensation in one direction covers the contemplated return empty?

Mr. WORTHINGTON. Yes, sir. The entire transportation. I have already quoted what we receive on an average freight car per car-foot mile as compared with passenger cars.

Senator WEEKS. You spoke of fines, did you not? How much was the Southern Pacific Railroad fined on account of delays during the last fiscal year?

Mr. WORTHINGTON. I have not that in mind.

Senator WEEKS. Was it any considerable amount?

Mr. WORTHINGTON. I really do not know. I do not think it was. The fines have not been as severe as they formerly were. Answering Senator Bourne's question, I think if we included the weight in the R. P. O. cars with R. P. O. car pay on those routes, the average rate would not be more than 6 cents a ton mile, and they are not more than about 2½ tons. That would add about 15 cents.

The CHAIRMAN. Figure 2½ tons.

Mr. WORTHINGTON. That would make a total rate, including pay, of about 20 cents a car-mile for those cars. We receive on our passenger cars 31.3 cents.

The CHAIRMAN. What would you receive from another road? I want to get the relativeness?

Mr. WORTHINGTON. We would receive, if we were handling a car for another road, 18 first-class fares.

The CHAIRMAN. Which would be 36 cents?

Mr. WORTHINGTON. Yes. We do not handle any passenger cars except at the minimum basis of 18 fares. I have some charts here which you might be interested in.

The CHAIRMAN. We are glad to get all the information we possibly can on the subject.

The chart, marked "A," attached, shows the percentage of total postal receipts which the railroads of the United States have received for each year from 1900 to 1911, inclusive, and the percentage of the total postal receipts which have been expended for other purposes, as shown by Post Office Department annual reports. In looking over the operations of the Post Office Department it might be observed that in the 10 years from 1901 to 1911 the receipts have more than doubled, and the following statement shows to what extent this large increase in receipts went to the railroads:

| | 1911 | 1901 | Increase 1911 over 1901. | Per cent. |
|---|---|---|---|---|
| Postal receipts | $237,879,823 | $111,631,193 | $126,248,630 | 113 |
| Postal expenditures: | | | | |
| To railroads | 50,583,123 | 38,158,969 | 12,424,154 | 33 |
| Other purposes | 187,065,803 | 77,395,952 | 109,669,851 | 142 |
| Total | 237,648,926 | 115,554,921 | 122,094,005 | 106 |
| Surplus | 230,897 | | | |
| Deficit | | 3,923,728 | | |

The above shows that out of the total postal receipts of $112,000,000 in 1901, $38,000,000, or 34 per cent, went to the railroads, whilst out of the $126,000,000 increase in 1911 over 1901 only $12,000,000, or less than 10 per cent, was paid to the railroads. As the volume of service rendered by the railroads in hauling tonnage increased very much in proportion to the receipts, they received only about one-third as much for the added traffic since 1901 as they received on the total traffic of 10 years ago. This saving to the Government, however, was more than offset by the increased expenditures for other purposes, which, while only $77,000,000 in 1901, were $187,000,000 in 1911. In other words, of the total postal receipts of 1901, 69 per cent was expended for purposes other than railroad compensation, whilst of the increase since 1901, amounting to $126,000,000, 87 per cent was expended for other than railroad transportation.

Chart B shows a distribution of expenditures of the Post Office Department for years 1900 and 1911 as between railroad and other expenditures; the relative service rendered for an increase of only a little more than one-third in compensation.

Chart C illustrates graphically for years 1900, 1907, and 1911, the great increase in receipts of the Post Office Department as compared with the increase in total railroad revenue, in total operating expenses, and in taxes paid by the railroads, and as compared with the relatively small increase in the railways' compensation for carrying the mail. It also shows per 1,000 passenger train-miles run on the railways of the United States that from 1900 to 1911 there was a

decrease of 14 per cent in mail revenue, compared with an increase of 31 per cent in revenue from passengers, 45 per cent in revenue from freight, and 61 per cent in revenue from express; during the same time railway operating expenses per 1,000 train-miles increased 44 per cent.

This chart strikingly illustrates the slight extent in which the railways have shared in the available greater revenue of the Post Office Department and the actual decrease in payments for carrying mail in proportion to the volume of passenger-train service. As is well known, railway wages are very much higher than formerly, prices of material have advanced, the cost of building steel mail cars and operating them is much greater than formerly, yet railway mail pay per unit of traffic has been very greatly decreased during the past 10 or 15 years in the face of changes in industrial conditions that should have increased it.

Senator WEEKS. That is assuming that the rate paid 10 or 12 years ago was an adequate one.

Mr. WORTHINGTON. Assuming that it should have been.

Senator WEEKS. That it was a fair one at that time.

Mr. WORTHINGTON. The commission that investigated at that time did not see fit to make any decrease.

Chart D illustrates, in 1895, 1900, 1905, and 1910, as compared with 1890, changes that have taken place in railway freight revenue, passenger-train revenue, and railway operating expenses and taxes per train-mile. The latter, which in 1900 were below the passenger-train revenue, were in 1910 considerably above it, showing that there is little for the railways in passenger-train service as a whole and least of all in the conduct of the mail. This chart also shows that for the year ending June 30, 1910, although 46.6 per cent of the total train mileage was run for account of passenger-train service, only 27.8 per cent of the revenue was contributed by passenger trains.

Chart E shows, for the railroads of the United States, relative revenue per unit of traffic from mails, passengers, and freight during the past 21 years, the year 1890 being taken as unity, or 100. This illustrates graphically the wide divergence that has taken place in the last 15 years in railway operating expenses as compared with the pay received for carrying mails. The cost of operating railways per train-mile during this period increased over 60 per cent, the railway revenue per passenger train-mile increased 20 per cent, the passenger earnings per passenger carried 1 mile decreased slightly, but the railway mail pay per ton-mile of mail was nearly cut in two, using the same divisor throughout the period. The ton-mileage rate for mails was obtainable up to and including 1898 from statement of Mr. Henry C. Adams in 1899 before the commission to investigate the postal service. In order to secure later figures, ton mileage on all the mail routes was compiled by us for 1905, 1907, 1908, and 1911, figures for other years being approximated, as the decline in railway mail pay under the natural law is fairly uniform.

Chart F illustrates graphically the fairness of the railways' request for annual instead of quadrennial weighing. It shows for the Western States, called the fourth contract section, the results of weighings from 1878 to date, the heavy line indicating the actual payments and the



Chart A

# ALL RAILROADS OF UNITED STATES

## PERCENTAGE OF TOTAL POSTAL RECEIPTS PAID TO RAILROADS AND EXPENDED FOR OTHER PURPOSES

| YEAR | AMOUNT | PER CENT OF RECEIPTS |
|---|---|---|
| **PAID TO RAILROADS** | | |
| 1900 | $37,315,725 | 36.5 |
| 1901 | 38,158,969 | 34.2 |
| 1902 | 39,518,817 | 32.4 |
| 1903 | 41,377,184 | 30 8 |
| 1904 | 43,971,848 | 30.6 |
| 1905 | 45,040,564 | 29.5 |
| 1906 | 46,953,439 | 28.0 |
| 1907 | 49,758,071 | 27.1 |
| 1908 | 48,456,255 | 25.3 |
| 1909 | 49,869,375 | 24.5 |
| 1910 | 49,405,311 | 22.0 |
| 1911 | 50,583,123 | 21 3 |
| **EXPENDED FOR OTHER PURPOSES** | | |
| 1900 | $70,424,542 | 68 7 |
| 1901 | 77,395,952 | 69.3 |
| 1902 | 85,266,880 | 70 0 |
| 1903 | 97,407,303 | 72.6 |
| 1904 | 108,390,268 | 75 5 |
| 1905 | 122,358,605 | 80 1 |
| 1906 | 131,496,339 | 78.3 |
| 1907 | 143,284,849 | 78.0 |
| 1908 | 159,893,631 | 83.5 |
| 1909 | 171,134,727 | 84.1 |
| 1910 | 180,571,913 | 80.5 |
| 1911 | 187,065,803 | 78.6 |

New York, Jan 13 1913

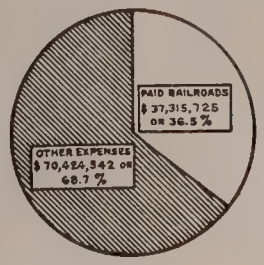
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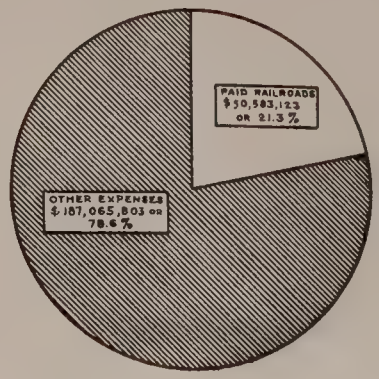
Chart "B"

# DISTRIBUTION OF EXPENDITURES OF POST OFFICE DEPARTMENT

1900
TOTAL EXPENDED $107,740,267

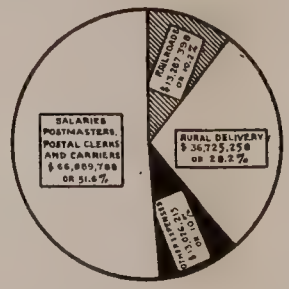



1911
TOTAL EXPENDED $237,648,926

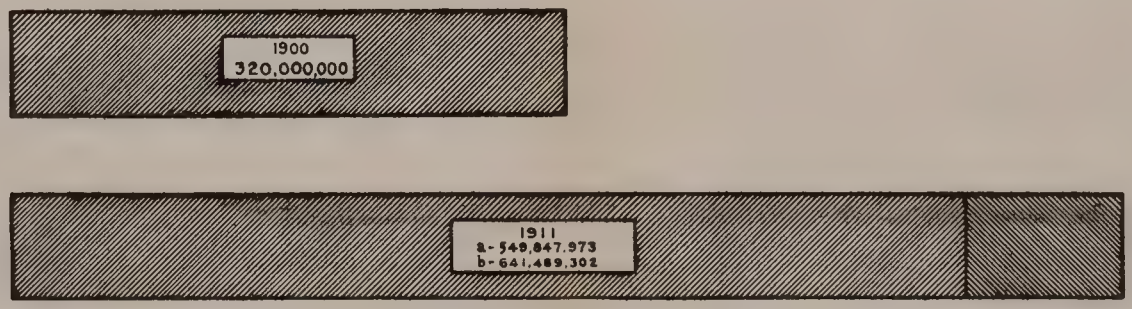



## DISTRIBUTION OF THE INCREASE IN EXPENSES OF POST OFFICE DEPARTMENT IN 1911 OVER 1900.

TOTAL INCREASE $129,908,659




## TOTAL SERVICE RENDERED BY RAILROADS, i.e., TONS OF MAIL HAULED ONE MILE




a-On basis new divisor.
b-On same basis as 1900.

AUTHORITY: Annual Reports of Post Office Department

New York, Jan 22, 1913.

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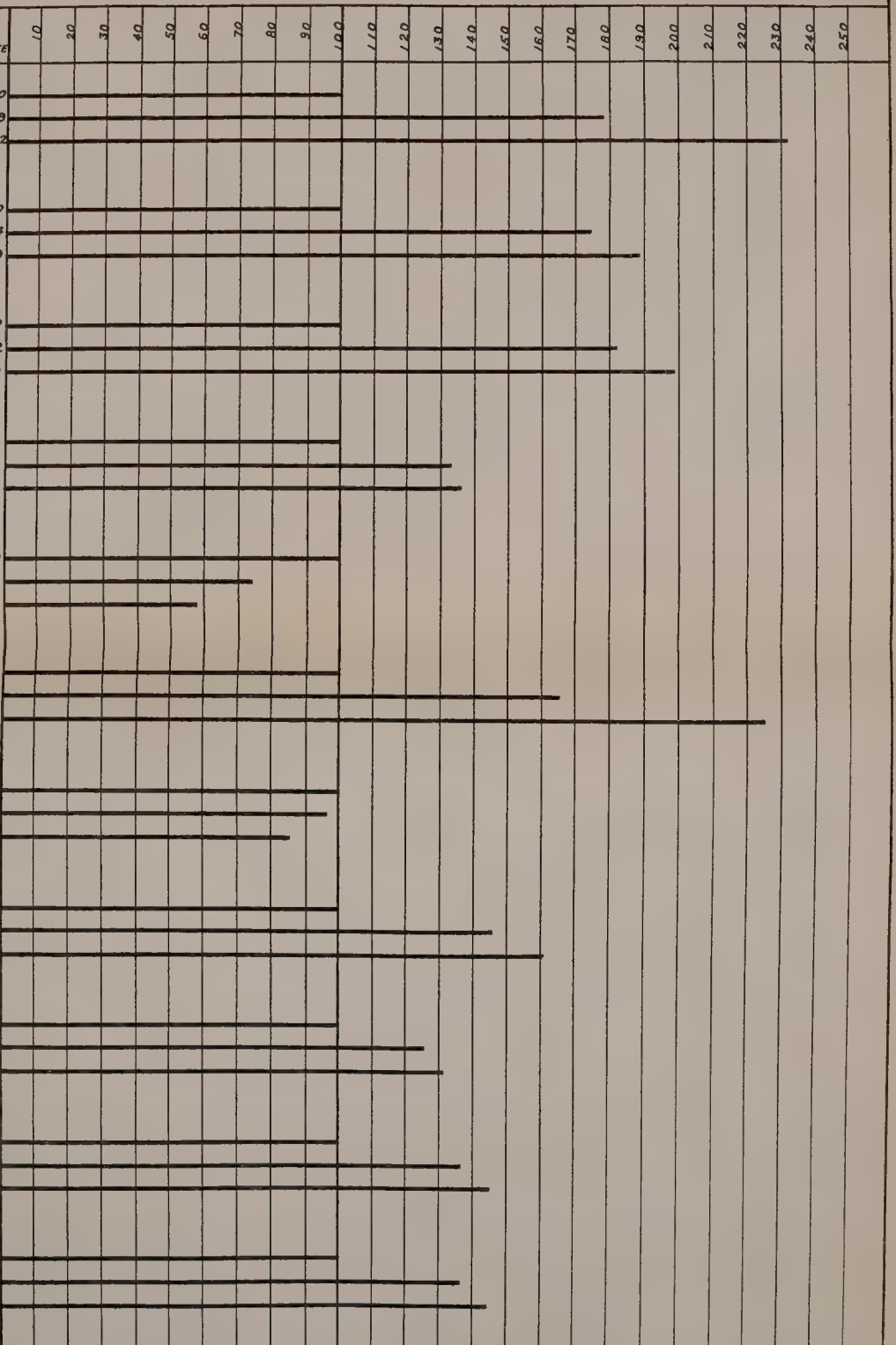


Chart "C"

# ALL RAILROADS OF UNITED STATES

## STATISTICS OF RAILWAY MAIL SERVICE AND OTHER CLASSES OF TRAFFIC

| ITEM | YEAR | AMOUNT | RATE |
|---|---|---|---|
| Total Receipts of Post Office Department | 1900 | $102,354,579 | 100 |
| | 1907 | 183,585,005 | 179 |
| | 1911 | 237,879,823 | 232 |
| Total Revenues of Railroads from all Traffic | 1900 | $1,487,044,814 | 100 |
| | 1907 | 2,589,105,578 | 174 |
| | 1911 | 2,789,761,669 | 189 |
| Total Railway Operating Expenses | 1900 | $961,428,511 | 100 |
| | 1907 | 1,748,515,814 | 182 |
| | 1911 | 1,915,054,005 | 199 |
| Railway Mail Pay | 1900 | $ 37,315,725 | 100 |
| | 1907 | 49,758,071 | 133 |
| | 1911 | 50,583,123 | 136 |
| Percent Mail Pay to Post Office Department Receipts | 1900 | % 36.5 | 100 |
| | 1907 | 27.1 | 74 |
| | 1911 | 21.3 | 58 |
| Taxes Paid by Railroads | 1900 | $48,332,273 | 100 |
| | 1907 | 80,312,375 | 166 |
| | 1911 | 108,309,512 | 226 |
| Per 1,000 Passenger Train Miles — Mail Revenue | 1900 | $ 96 | 100 |
| | 1907 | 93 | 97 |
| | 1911 | 83 | 86 |
| Per 1,000 Passenger Train Miles — Express Revenue | 1900 | $ 72 | 100 |
| | 1907 | 105 | 146 |
| | 1911 | 116 | 161 |
| Per 1,000 Passenger Train Miles — Passenger Revenue | 1900 | $ 823 | 100 |
| | 1907 | 1036 | 126 |
| | 1911 | 1076 | 131 |
| Freight Revenue per 1,000 Freight Train Miles | 1900 | $ 2,000 | 100 |
| | 1907 | 2,740 | 137 |
| | 1911 | 2,895 | 145 |
| All Service Operating Expenses per 1,000 Average Train Miles | 1900 | $ 1,073 | 100 |
| | 1907 | 1,470 | 137 |
| | 1911 | 1,543 | 144 |



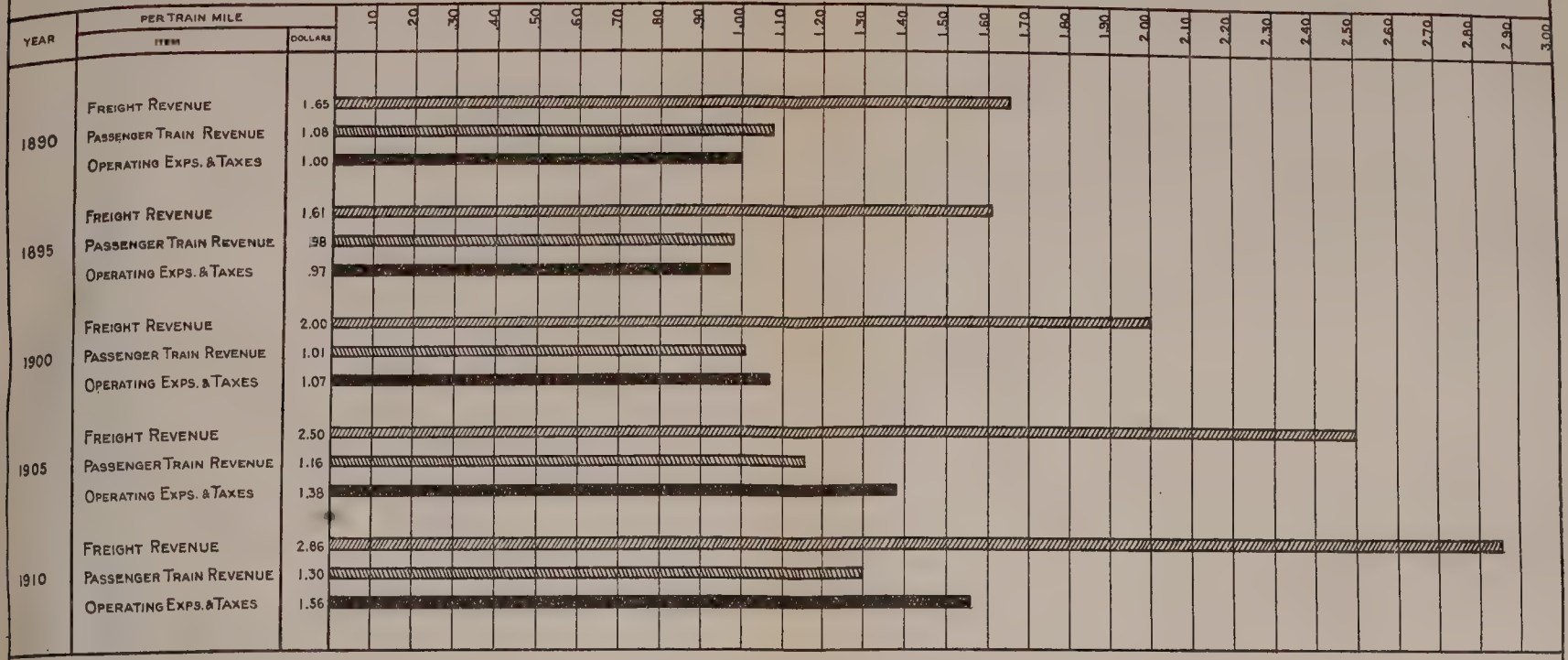

New York City, Jan. 13, 1913.



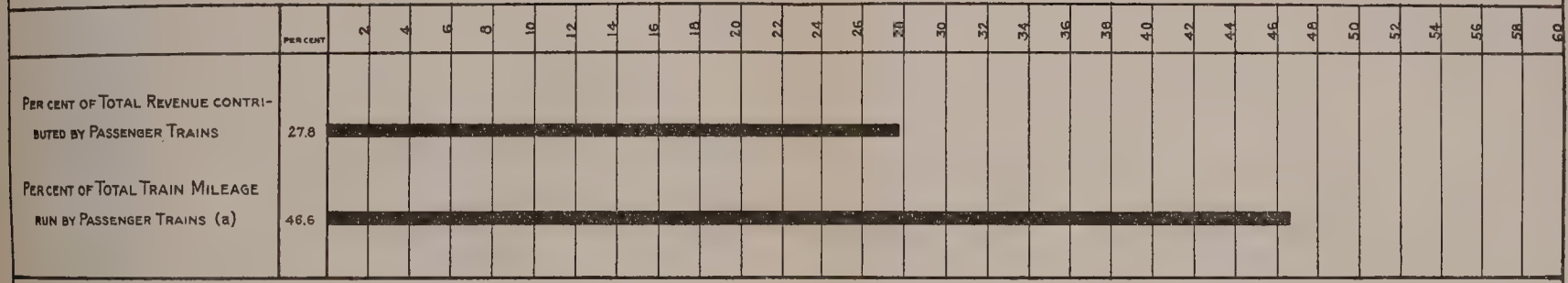
Chart "D"

# All Railroads of United States

## Trend during Twenty Years of Revenue from Passenger and Freight Trains, and of Operating Cost per Train Mile.




## For Year Ending June 30, 1910.




*Note: (a) Mixed Trains counted both as passenger and freight.*
*Authority: I.C.C. Statistics of Railways of United States.*

New York City, Jan. 23, 1913.

49396—14. (To face page 342.)



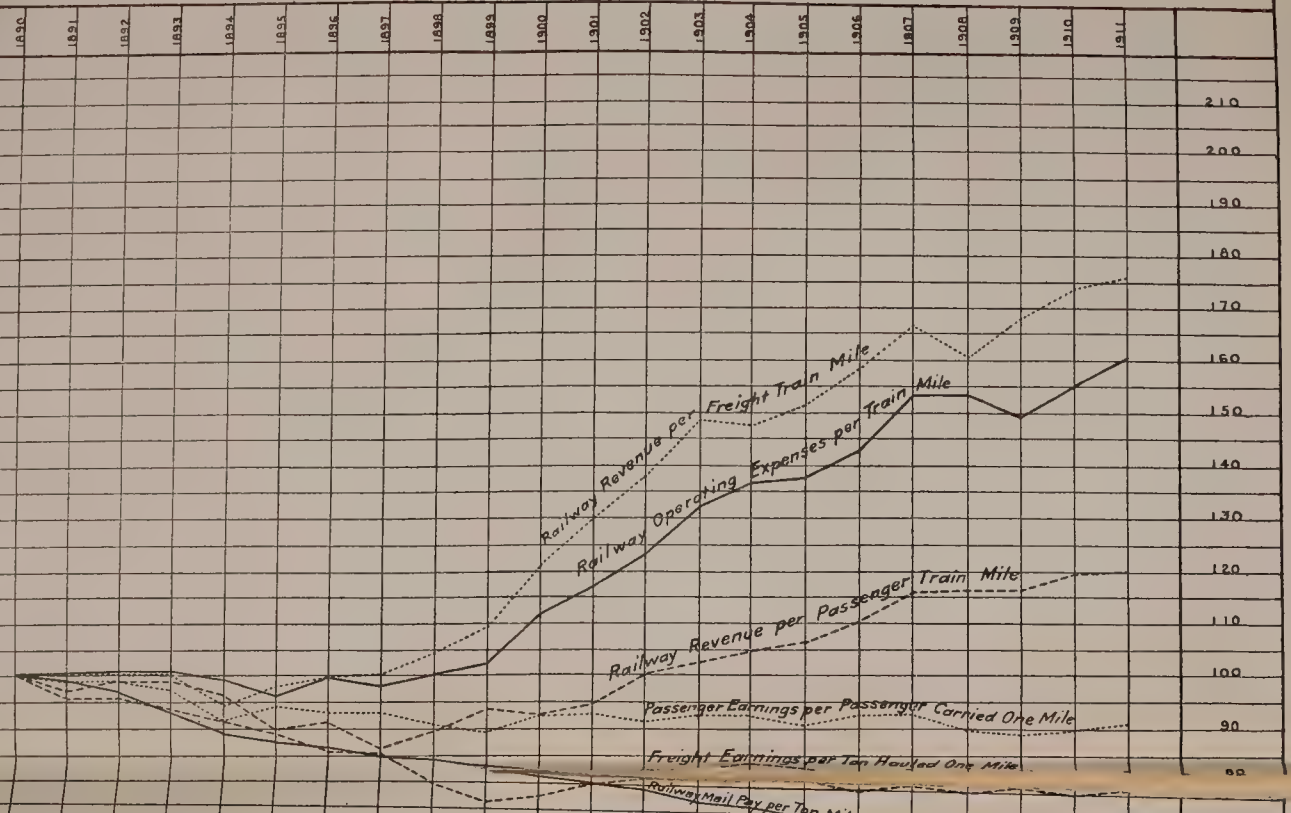


Chart E

# ALL RAILROADS OF UNITED STATES

## Relative Revenue per Unit of Traffic from Mails, Passengers and Freight

Year 1890 taken as 100.




| | 1890 | 1891 | 1892 | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 | 1904 | 1905 | 1906 | 1907 | 1908 | 1909 | 1910 | 1911 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Railway Mail Pay per ton per mile (cts) | 15.0 | 14.8 | 14.5 | 14.0 | 13.3 | 13.1 | 13.0 | 12.7 | 12.6 | 12.4* | 12.2* | 12.0* | 11.8* | 11.6* | 11.4* | 11.2 | 11.0* | 10.7 Old Div. 10.7 New Div. | 9.3 | 9.1* | 8.5* | 8.0 | I.C.C. Reports |
| Pass Earn per Pass per Pass carried One Mile (cts) | 2.17 | 2.14 | 2.13 | 2.11 | 1.99 | 2.04 | 2.02 | 2.02 | 1.97 | 1.93 | 2.00 | 2.01 | 1.99 | 2.01 | 2.01 | 1.96 | 2.00 | 2.01 | 1.94 | 1.93 | 1.94 | 1.97 | I.C.C. Reports |
| Freight Earnings per ton per ton hauled One Mile (cts) | .94 | .90 | .90 | .88 | .86 | .84 | .81 | .80 | .78 | .72 | .73 | .75 | .76 | .76 | .78 | .77 | .75 | .76 | .75 | .76 | .75 | .76 | I.C.C. Reports |
| Railway Oper Exp per Train Mile (Dollars) | .96 | .96 | .97 | .97 | .94 | .92 | .94 | .93 | .96 | .98 | 1.07 | 1.12 | 1.18 | 1.27 | 1.31 | 1.32 | 1.37 | 1.47 | 1.47 | 1.43 | 1.49 | 1.54 | I.C.C. Reports |
| Railway Revenue per Frt Train Mile (Dollars) | 1.65 | 1.64 | 1.65 | 1.65 | 1.56 | 1.61 | 1.63 | 1.65 | 1.73 | 1.79 | 2.00 | 2.13 | 2.27 | 2.44 | 2.43 | 2.50 | 2.61 | 2.74 | 2.65 | 2.76 | 2.86 | 2.90 | I.C.C. Reports |
| Railway Revenue per Pass Train Mile (Dollars) | 1.09 | 1.06 | 1.07 | 1.07 | 1.05 | .98 | .99 | .94 | .97 | 1.02 | 1.01 | 1.03 | 1.09 | 1.12 | 1.14 | 1.16 | 1.20 | 1.26 | 1.27 | 1.27 | 1.30 | 1.31 | Authorities |

* Approximated

New York, Jan 24, 1913.

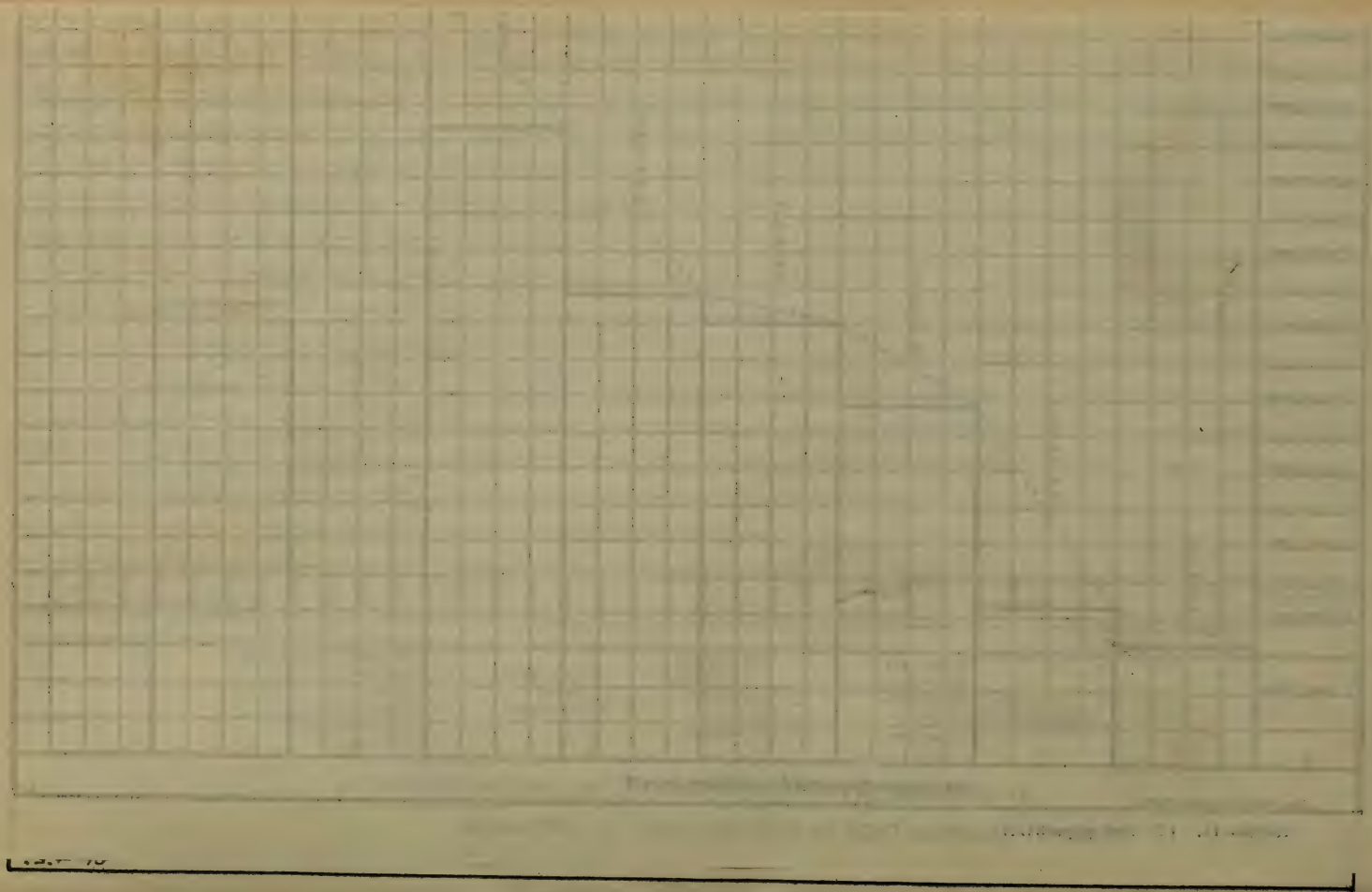
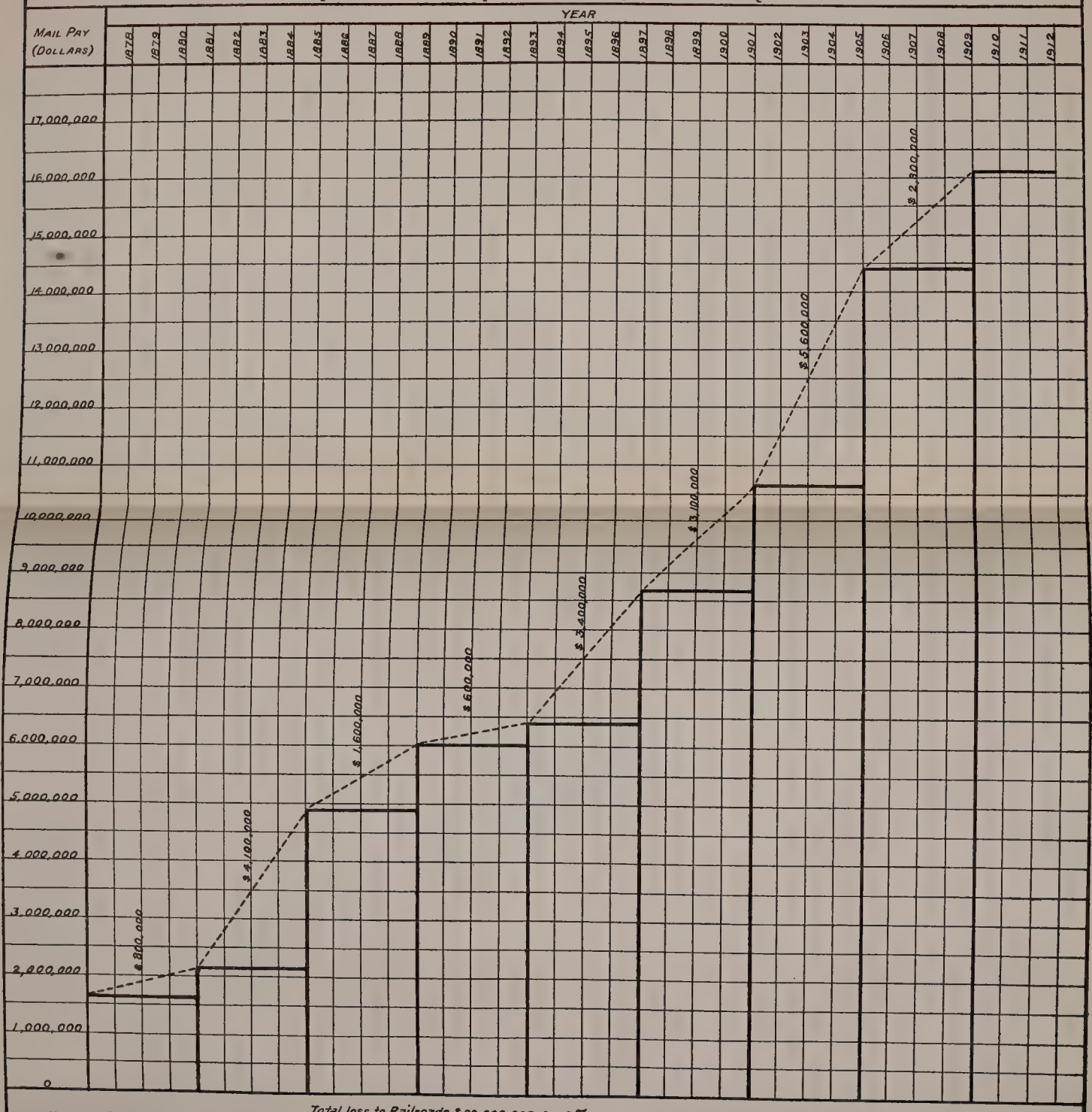


Chart "F"

# DIAGRAM SHOWING LOSS IN MAIL REVENUE TO RAILROADS BY WEIGHING MAIL QUADRENNIALLY INSTEAD OF ANNUALLY

I.C.C. GROUPS – 7: MONTANA, WYOMING, N. DAKOTA, S. DAKOTA, NEBRASKA
8: COLORADO, KANSAS, MISSOURI, ARKANSAS, OKLAHOMA
9: LOUISIANA, TEXAS, NEW MEXICO
10: OREGON, WASHINGTON, IDAHO, UTAH, NEVADA, ARIZONA & CALIFORNIA




New York City, Jan. 14, 1913.

Total loss to Railroads $ 22,000,000 or 12%

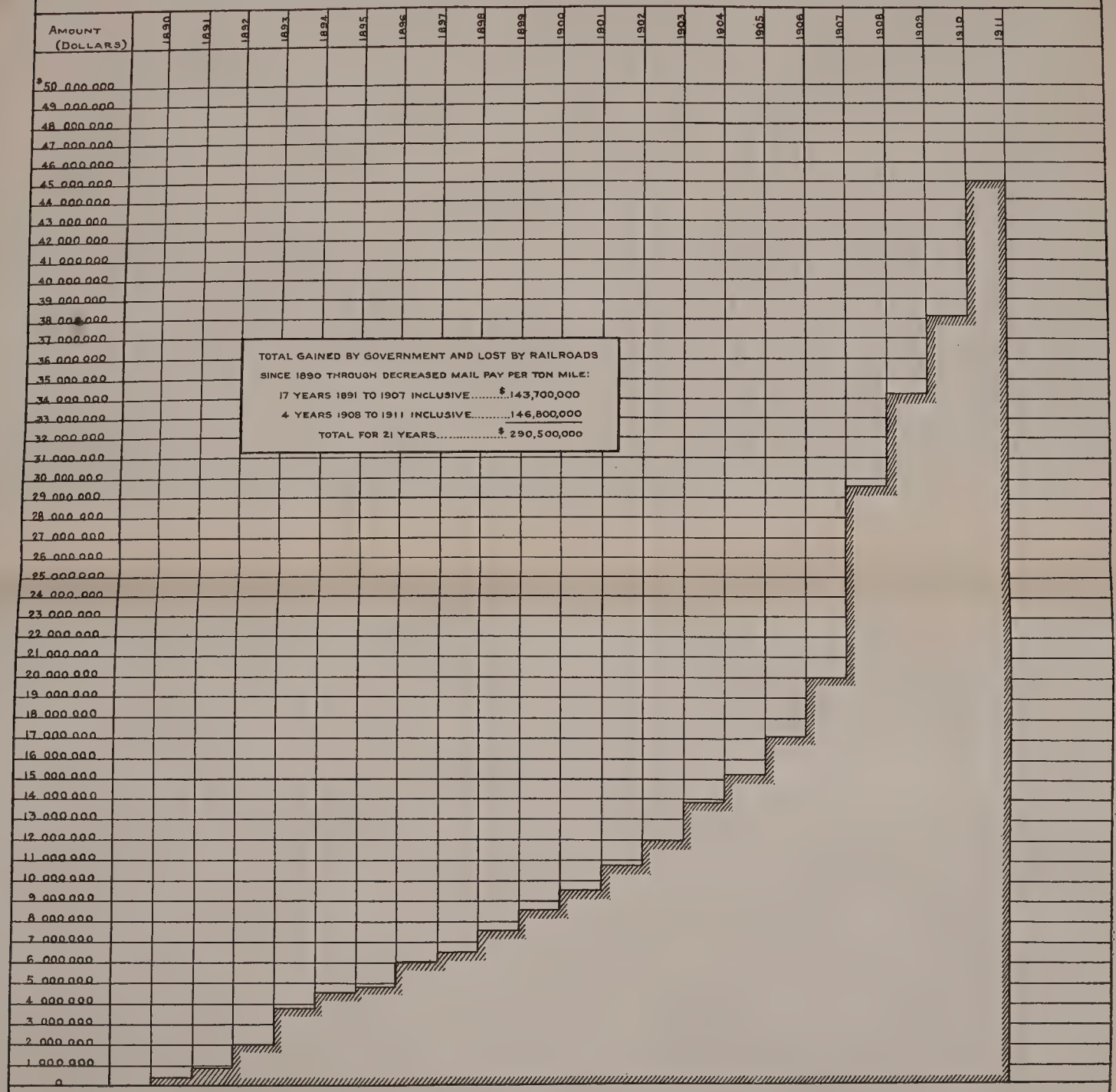




Chart "G"

# ALL RAILROADS OF UNITED STATES

Annual Gain to Government and Loss to the Railroads since 1890 through decreased Mail Pay per Ton Mile through automatic operation of the law and because of other reductions by Goverment authority commencing in 1907.




NOTE: On basis of same divisor throughout entire period

New York, Jan. 30, 1913.



dotted line the amounts to which the railways were fairly entitled, the triangles formed between the heavy lines and dotted line representing the losses to the railroads through quadrennial weighings, these losses being expressed in figures on the chart. The growth in the western group of States was no doubt in greater ratio than the remainder of the country, but the chart is presented to illustrate the service rendered by the railroads for which they received no compensation whatever.

The CHAIRMAN. Why did you take only the fourth division for your Chart F?

Mr. WORTHINGTON. Because it is the division in which we operate, and the weighings are at different periods, so I would have to have separate charts. I think that is greater than what would result in the United States as a whole, because that group has grown faster.

Senator WEEKS. Do you think the amount of mail has grown faster in that group?

Mr. WORTHINGTON. I think it has.

Senator WEEKS. I should have some doubt about that.

Mr. WORTHINGTON. Possibly not. The population has increased, I think, faster than the United States as a whole.

Chart G illustrates graphically the gain to the Government and loss to the railroads by years since 1890 through decreased mail pay per ton-mile on account of the natural or automatic operation of the law and because of other reductions made by Government authority since the beginning of 1907. This chart shows that the amount of these reductions for the 17 years from 1891 to 1907, inclusive, was $143,700,000, while for the four years from 1908 to 1911, inclusive, it was $146,800,000, or a total for the 21 years of $290,500,000. These figures are obtained by applying the average rate per ton-mile effective in 1890 to the traffic handled in subsequent years, the difference between the amount so obtained and the actual compensation representing the amount saved to the Government and lost to the railroads through reduction in rates per ton-mile. It also demonstrates that the Government was sharing quite generously in reduced rates through the automatic or natural operation of the law without imposing the additional reductions by Government authority commencing in 1907, when it is considered that through most of this period the railroads were contending with higher operating cost per traffic unit through causes beyond their control. It further demonstrates that the present law has been a most favorable one to the Government in securing greater reductions for carrying mail than were effective for any other class of railway traffic.

The CHAIRMAN. Let me ask you this in that connection: Does not your ton-mile revenue decrease in an inverse ratio to the density of your traffic?

Mr. WORTHINGTON. As density of traffic increases ton mileage rates decrease.

The CHAIRMAN. Hence, is not this apparent rate change to the railroads due to a law of transportation?

Mr. WORTHINGTON. During the same period our ton mileage of freight has increased also very largely, but the freight rate has been maintained.

The CHAIRMAN. Then your profits should have increased?

Mr. WORTHINGTON. They ought not, because the gain in that respect was offset by the higher operating cost for increased labor and material. In other words, if it had not been for the economy we were able to effect in freight service by loading trains heavier and increasing our earnings per freight train-mile, we would have been in pretty bad straights by this time and we could have not paid the higher labor and material prices.

The CHAIRMAN. Is chart G, without an explanation, an absolutely fair presentation? In other words, the ton-mile basis is not the fair unit as to the actual net revenue of a railroad, is it?

Mr. WORTHINGTON. Why not? I think so. We use the ton-mile basis in freight service.

The CHAIRMAN. As the density of your traffic increases your compensation per ton-mile is less?

Mr. WORTHINGTON. Is less.

The CHAIRMAN. Yet your actual net earnings at the end of the year may be much greater, due to the increase of density, may they not?

Mr. WORTHINGTON. They may be greater if we are able to handle the traffic economically such as we have been in the case of freight, but they are not greater when the load in a car is limited and flexible, you may say, through the fact that not more than two and one-half tons are carried in R. P. O. cars. As traffic increases we have to put on more service.

The CHAIRMAN. But you only get less than 10 per cent of the total compensation paid by the Government in R. P. O. compensation?

Mr. WORTHINGTON. But the expenses are increased more than 10 per cent. That represents more than 10 per cent of the cost.

The CHAIRMAN. How much of the total mail is carried in the R. P. O. cars?

Mr. WORTHINGTON. I do not know. Quite a large part, but I could not say offhand. I do not think that has ever been computed, because the mail is transferred en route from storage cars to R. P. O. cars, and it would be a very difficult thing to say, as the mail is taken out of the storage car and reworked in the R. P. O. car.

The plan advocated by the Postmaster General in document 105, of the Sixty-second Congress, involves two vital principles that we deem unfair to the railroads as a just compensation for the services they render, these being as follows——

The CHAIRMAN. If I may interrupt you just there; in starting in with your testimony you referred to Senate bill 7371, which was the first suggested plan emanating from the Post Office Department.

Mr. WORTHINGTON. That was the one I had before me.

The CHAIRMAN. Are you familiar with the modification or second suggested plan as submitted by ex-Postmaster General Hitchcock to this committee under date of January 20, 1913?

Mr. WORTHINGTON. I understand the plan was amended and am familiar with that, Mr. Chairman.

The CHAIRMAN. Then, is your testimony applicable to the modified plan as well as to the originally suggested plan?

Mr. WORTHINGTON. It is, because I refer to that amendment in this memorandum further over.

The CHAIRMAN. Very well.

Mr. WORTHINGTON. 1. Payment of compensation according to the car feet of space used on trains.

The CHAIRMAN. In view of the fact that the Postal Department, as represented by ex-Postmaster General Hitchcock, has modified the plan contained in Document 105, I think it would be well, if you are able, to make your comments refer to the second or modified plan.

Mr. WORTHINGTON. I will modify that as I go along. As I understand this plan, he included allowance on the investment, plus 6 per cent.

The CHAIRMAN. That is, he suggested a reasonable allowance on the capital invested, provided there was no duplication to it, 6 per cent on the operating expenses and a reasonable allowance on the capital invested without attempting to indicate to Congress what, in his opinion, would be a just allowance on capital.

Mr. WORTHINGTON. 2. Payment on basis of the cost to each individual railroad, plus 6 per cent.

The adoption of this plan would be not only inequitable to the railroads, but we believe would be a disadvantage rather than an advantage to the public service. Before reciting a few of the principal objections to these methods, I would say the argument is sometimes made in favor of the space basis that it would adjust inequalities that now exist in the pay received by the various roads, House of Representatives Document 105 apparently showing that some eastern lines are handling the mails at a loss, whilst some western lines are making a large profit. This conclusion is, on its face, difficult to understand, when it is remembered that the existing basis of compensation is the same throughout the country, whilst labor and material costs are very much higher in the West than in the East, and the cost of operating railroads per train-mile, according to statistics of the Interstate Commerce Commission, amounts to $1.81 in the far western group I. C. C. 10, as compared with $1.49 in the eastern group 1, $1.57 in group 2, and $1.44 in group 3.

In other words, the commission says that it costs more to operate railroads in the West than the ex-Postmaster General says we can operate the mails for. An analysis of the methods used in producing the cost for mail service in Document 105, on which the Postmaster General's conclusion is based, shows that the more favorable results he reaches for the western lines are due entirely to the peculiar method followed by the department in apportioning to passenger and to mail service that part of the operating expenses which can not be directly apportioned to either freight or passenger service. As is well known, only a portion of the operating costs can be so allocated, and at least one-half of the expenses must be apportioned in an arbitrary manner, and the fact is that any basis of apportionment, even though fair to the railroads as a whole, would be unfair if applied to individual railroads operating under difficult local conditions. For example, a railroad carrying large passenger trainloads and small freight trainloads would show cost per train-mile for the items that can be directly assigned approximately equal for freight as for passenger service. On the other hand, a railroad which moves very heavy freight trainloads and light passenger trainloads would show very much greater cost per train-mile for these direct expenses in case of freight than for passenger service.

In other words, 50 per cent of the operating expenses we might call direct, and where the freight trains are light and passenger trains heavy those expenses will run about the same per train-mile. Where conditions are reversed on a railroad handling very heavy freight trains and lighter passenger trains, those costs are much greater for the freight. In other words, there is quite a difference in those expenses on certain railroads as compared to other railroads, and these direct expenses are used by the former Postmaster General Hitchcock to apply to the indirect expenses. In other words, he finds that 50 per cent of the expenses on one road may be equal to the passenger or freight on another road; it may be 50 per cent more on freight, and he applies this same ratio to the indirect expenses and produces a result that is not fair to both roads. I will show you that result further on. As to the most of the unallocated, or so-called "indirect," expenses the Post Office Department apportions these on the basis of the cost of the "direct" expenses. Consequently a railroad having light freight trainloads and heavy passenger trainloads would be charged with very heavy costs per passenger-train mile for the indirect expenses, which had no particular relation to train mileage, than in the case of a road having heavy freight trainloads and light passenger trainloads. We find these differences in conditions typified, for example, in the case of two eastern roads, on which passenger traffic is very large, which I will term road A and road B, compared with the Union Pacific system, a very heavy freight carrier. The relative passenger trainloads on these roads are: Road A, NH 96; road LI, B—93; Union Pacific system, 66. The relative freight trainloads are: Union Pacific system, 488; road A, 291; road B, 168.

By the plan of the Postmaster General the cost per car-foot mile is made for road B 5.34 mills, road A 4.72 mills, and for the Union Pacific system 3.06 mills, the cost given for road B being 74 per cent greater than the Union Pacific, as a result of which he shows a considerable profit to the Union Pacific. Referring to Interstate Commerce Commission Statistics of Railways of the United States for 1910, however, it is found the operating expenses for the average train mile of road B are $1.29, whilst on the Union Pacific system they were $1.64. Thus, though the commission finds the cost of operating a train on the Union Pacific system is nearly 50 per cent greater than on eastern road B, the Postmaster General finds that the operating cost per unit as applied to mail service was 74 per cent greater on the eastern line; hence it is not difficult to understand how unfair to the Union Pacific would be his space basis for compensating the railroads for carrying the mails.

In other words, the differences are so tremendous. That is the real reason why some of these lines, for instance, the New York, New Haven & Hartford show a loss, and others, for instance, the Southern Pacific, shows a profit. I think the impression has gone from House Document 105 that the Union Pacific and Southern Pacific were showing large profits from handling the mails, and I am trying to show just the method used apportioning the expense.

The CHAIRMAN. You are commenting on the different methods used by the Interstate Commerce Commission and the Post Office Department?

Mr. WORTHINGTON. Yes. An examination of Document H. R. 105 will show similar great disparities in the Postmaster General's estimate of operating cost per car-foot mile on different railroads, on which he would base their compensation. For example: On the West Jersey & Seashore, a passenger line of the Pennsylvania, he shows a cost per car-foot mile of 4.72 mills, whilst on the Pennsylvania Railroad proper he shows a cost of only 2.94 mills; in other words, the mail pay on his basis would be very much more on the West Jersey & Seashore than on the Pennsylvania, although the operating expense ratio on the former line is shown by the Interstate Commerce Commission to be 75.76 per cent, compared with 78.60 on the Pennsylvania Railroad proper. Again, referring to the lines comprising the New York Central system, the Postmaster General computes a cost for the Pittsburgh & Lake Erie Railroad of 6.23 mills and for its connection, the Lake Shore & Michigan Southern, only 2.02 mills; on his basis the Pittsburgh & Lake Erie would receive three times the pay per car-foot mile based on operating costs, although the Interstate Commerce Commission shows its operating expense ratio is only 42.38 per cent, as compared with 64.81 per cent for the Lake Shore. Although we understand since the publication of Document H. R. 105 the Post Office Department is willing to concede that a return on the investment should be allowed the railroads in fixing mail compensation as well as compensation for operating expenses, it is apparent that the methods used by the Postmaster General for determining the operating costs are too unfair to the western railroads, as well as to any other lines which are heavy freight carriers, to be used as a measure for adequacy of their mail compensation.

As to the Southern Pacific Co., the department showed the revenue from mails per car-foot mile to be 5.25 mills, after crediting the railroad with only 38,589,000 car feet of space in mail service and after excluding from the divisor 8,844,000 car-foot miles of "dead" mail space, which though they admitted was furnished by the railroads incident to mail transportation, but which it claimed was not actually required to hold the mails, which dead space it added to passenger service.

The CHAIRMAN. Although not used by passenger service in any way?

Mr. WORTHINGTON. Yes; although not used by passenger service in any way. If only this dead space incident to mail service was included in the divisor the Southern Pacific's revenue from mail per car-foot mile would have been reduced to 4.27 mills. The Southern Pacific Co. reported to the department that 49,981,437 car-foot miles were used for the mails in November, 1909, from which it received compensation averaging 4.05 mills per car-foot mile. Nowhere in the United States is railroad labor and material higher than in the territory traversed by the Southern Pacific Co., and if the department had allowed us the same cost of operating per car-foot mile as the two eastern roads designated as roads A and B included the dead space incident to handling mails, it would have shown a large deficit for mail transportation on the Southern Pacific Co. after allowing for operating expenses only.

Whereas, if they had allowed the same costs per car-foot mile, we would have shown a deficit in place of a considerable profit, as shown.

We believe compensation for mail service based on cost is wrong in principle and impracticable for the following reasons:

1. It is impossible to exactly allocate operating expenses and fixed charges to each class of service. Fixed charges can not be allocated at all, whilst only about one-half of the operating expenses can be allocated between passenger and freight service. The remainder must be approximated and this approximation varies widely, according to the judgment of the individual making it. No two experts would agree on this apportionment, and whilst expressing great confidence in the Interstate Commerce Commission, we believe it would have similar difficulty in reaching results that would be fair to all roads and that successive statisticians of that commission would not hold the same views as to methods. As a consequence, the figures when produced could not otherwise be regarded as not exact, and, therefore, not sufficiently reliable to be used as a basis for rate making.

The CHAIRMAN. If mail compensation is not to be based either wholly or partially on cost, upon what is it to be based?

Mr. WORTHINGTON. There is no compensation the railroad receives based on cost for any class of traffic. There is no reason why the adequacy of the pay as a whole can not be gauged in some way at an estimate of cost, but I would not say that as a rate-making proposition.

The CHAIRMAN. Is not the trend of rate determination toward the necessitated ascertainment of the cost?

Mr. WORTHINGTON. Mr. Chairman, in my opinion, it is absolutely impossible to anywhere nearly ascertain a cost. You can obtain an estimate of cost, but that will vary with the person who makes the estimate, and it hardly seems to us that that is a good rate-making proposition.

The CHAIRMAN. Will you kindly answer my question. If cost is not a factor in determination of mail compensation, what are the factors on which equitable mail compensation can be adjusted?

Mr. WORTHINGTON. I am personally of the opinion that, figured on a fair basis as to cost, it would be necessary to very largely increase the compensation to railroads, according to the railroads' method of ascertainment.

The CHAIRMAN. That does not answer my question. What are the factors to be taken into consideration to determine a fair compensation to the transportation companies, for transportation of mail, to be paid by the Government?

Mr. WORTHINGTON. I think the value of the service to the Government as compared with the relative returns and revenue which the railroads are receiving for other class of traffic. We are not asking more for the mails than we get for other classes of traffic.

Senator WEEKS. Supposing the Government decided to transfer the Cavalry regiment which is now stationed at Fort Myer, Va., to San Francisco, Cal. How would the rate be determined for transporting the men, horses, and equipment?

Mr. WORTHINGTON. I really am not familiar with the question of rates. I am not a traffic man, and I do not know what arrangement the Government has with our railroads for rates. I do not think I would be competent to answer that question. I have nothing to do with rates at all. My duties are entirely operating.

2. Even if it were possible to secure a proper basis for the railroads as a whole such basis would unduly favor some roads and be unfair to others, as local conditions vary greatly, there being wide differences in the relative volume of passenger and freight traffic on different roads, in average size of trains, in the requirements for passenger traffic, etc., as shown by pamphlet "Mail-carrying railways underpaid," which has been introduced in evidence.

Senator WEEKS. You come to the conclusion up to that point that a fixed rate for the whole of the country must necessarily be unfair to some road, by paying some roads more than they should be paid or some roads less? In other words, it is impossible to make a fixed rate which is just to everyone, the Government included?

Mr. WORTHINGTON. I think it would be impossible to make any rate that would, for example, allow an extravagantly operated road, we might say, as large net compensation as another road which might be more economically operated.

Senator WEEKS. Even assuming that they were operating with the same economy?

Mr. WORTHINGTON. Certainly. It would be impossible to fix any universal rate that would not return to one carrier more than it would to another.

Senator WEEKS. That is exactly what we do.

Mr. WORTHINGTON. For the reason that the cost of operating railroads is different in different sections of the country.

Senator WEEKS. That is exactly what we have done in the past, and that is the only suggestion we have before us now, to make a fixed rate for the whole of the country.

Mr. WORTHINGTON. At the same time I think that is more equitable than to attempt to fix a different rate for every railroad, based on its operating cost, but I think that is wholly impracticable. For example, take two different railroads; a large system of railroads may have a number of branch lines and one of the branch lines might be competing with a short-line railroad. The operating cost on that system would be the same and the mail pay for the large system would be based on the operating cost of the system as a whole. The short-line railroad would necessarily have a much higher operating cost and would be at a disadvantage in competing for the mail. The railroads' expenses are not kept for all their branch lines, or for different parts of their main lines.

Senator WEEKS. Why do you think it would be impossible to make a rate for every railroad or every group of railroads, depending on the conditions?

Mr. WORTHINGTON. Because I think you would have to adopt a different method for estimating cost on different railroads.

Senator WEEKS. Is not that done in the case of other traffic?

Mr. WORTHINGTON. It would leave the door open for discrimination, and it would be a tremendous task, it seems to me, to so adjust your difference of apportionment to make up for the difference in local operating conditions on different roads.

Senator WEEKS. Would it be any more difficult than it is to arrive at the same conclusion in regard to freight and different classes of freight?

Mr. WORTHINGTON. We do not do that as to freight. Freight rates are not based on cost.

The CHAIRMAN. What are they based on?

Mr. WORTHINGTON. Only in a general way. High-class freight would be moved at almost the same rate as low-class freight, if they were. There are so many other considerations to be taken into account—the value of the commodity transported, the rate it will stand, etc. A low-grade commodity would not stand a rate based on cost. If this rate was based on cost of transportation the rate would be lower than it is for high-grade commodities, whereas on the low-grade commodities, such as coal, the rate would have to be increased.

The CHAIRMAN. Would it be any more difficult to arrive at a proper rate in the case of mail than it is to arrive at a proper rate in the case of coal or vegetables or any other commodity?

Mr. WORTHINGTON. No; I do not think it would be more difficult to arrive at a proper rate, but I would not base that on cost, that individual rate.

Senator WEEKS. I do not care what you base it on, if it is a suitable rate for the service performed by the road.

Mr. WORTHINGTON. I think the only practicable basis is something like we have at the present time, the uniform rate, and the test of the adequacy of that rate might be obtained by determination. Let the Interstate Commerce Commission determine and make an estimate for the mail, as to whether the mail rate was adequate or inadequate.

Senator WEEKS. Would not that do serious injustice to some railroads?

Mr. WORTHINGTON. I do not think so.

Senator WEEKS. Do you not think that there are a great many railroads in this country that are performing this service for less than cost?

Mr. WORTHINGTON. Cost is something that has to be interpreted. If you mean the actual cost of the transportation, I do not think so; but if you mean an apportionment of the other charges, yes.

Senator WEEKS. I will take the actual cost so far as some of the short-line railroads are concerned.

Mr. WORTHINGTON. There may be some short-line railroads that are. I could not say as to that. I do not know.

The plan of paying each railroad according to its own expenses is very unfair to roads which may reduce operating costs through increased efficiency and better management, as compared with roads which can not do this and which have higher operating costs. In other words, it penalizes efficiency, and as the cost of operating is brought down by better methods the allowance for mail transportation would be reduced. On the other hand, it would be increased if the railroad is extravagant. If the commission believes there should be a difference in the rate of compensation to make up for differences in operating costs in different sections of the country, we think the rate should be uniform, at least within the confines of the 10 interstate commerce group of States, and the present statistics of the Interstate Commerce Commission give a fair index of the relative operating costs per train-mile in each of these different groups. If it is in doubt whether the mail pay compensation as a whole in the United States is adequate or inadequate, it seems to us this could be determined by the Interstate Commerce Commission making an apportionment of the operating expenses, taxes, and fixed charges to

all service for the railroads as a whole. We believe this apportionment, if fairly made, would demonstrate conclusively that the present mail pay is inadequate as compared with revenue from other kinds of railroad traffic. It should be understood, however, that any apportionment made must be largely on estimate and that an apportionment made for the railroads of the United States as a whole would not, on account of differences in local conditions, be applicable to individual roads, as it would represent merely an average of all roads.

OBJECTIONS TO ABANDONMENT OF PRESENT WEIGHT BASIS AND SUBSTITUTION OF SPACE BASIS.

The greatest objection to the space basis is that it places in the hands of a single individual, i. e., the Postmaster General, the regulation at will of the total compensation to the railroads; and inasmuch as in this case this individual also represents the shipper—that is, the Government—it is hardly to be conceived that the results would be as fair to the railroads as under a weight basis, as under the present plan the pay to the railroads is regulated by weight carried, and is therefore regulated by an impartial tribunal, i. e., the public.

When the shipper—that is, the Government—also states how much space he will pay for, it is apparent payment would be based on minimum space and not the space which the railroad might have to furnish to move the tonnage.

Under a space basis it is probable the Government would expect to pay the same rate per foot whether the service furnished covered a full car or only fraction of a car, in the latter case paying the railroads nothing for space they would always, on an average, have to furnish in excess of that actually required when the volume of traffic is light. In freight service the latter consideration is adjusted by charging higher proportionate rates for less-than-carload than for carload traffic.

Space is not the sole consideration used in fixing rates on any other class of railroad transportation, whether passengers, express, or freight. Weight is the principal factor, although space is also taken into account in fixing rates in freight service on bulky commodities. This policy agrees with the principle recognized by the present basis of mail pay, which takes into account the weight carried and the space used for distributing post offices on wheels.

Under the present basis, where weight is the controlling factor of railway mail pay, about nine-tenths of the railroad's compensation is based on weight, the remaining one-tenth representing R. P. O. car pay. The latter is subject to control by the Post Office Department, and the effect of this control is illustrated by frequent arbitrary changes ordered by the department in R. P. O. car space, most of which have been decidedly unfair to the railroads. Through these changes half lines have been substituted for full lines, depriving the railroads of compensation for empty return of R. P. O. cars, allowances once made for 60-foot cars have been reduced to cars of shorter lengths when it is imposible for the railroads to make physical reduction in space, and in some cases R. P. O. car pay has been done away

with altogether by substituting apartment cars without pay after the R. P. O. lines have been established. In this way many roads have suffered by losses in R. P. O. car pay of 25 per cent or more.

The CHAIRMAN. But the right of appeal exists there under the suggested plan?

Mr. WORTHINGTON. Yes. But the right of appeal would be after giving us too little space instead of too much.

The CHAIRMAN. You mean in space authorized rather than in the compensation?

Mr. WORTHINGTON. Yes; in the amount of space authorized.

The CHAIRMAN. Your criticism on the bill is because the space authorization is determined by the postal department and that no relief would come in the right of appeal to the Interstate Commerce Commission, because they would not pass upon that?

Mr. WORTHINGTON. I do not think so. I think that we would be at a disadvantage, and I think in most cases we would be allowed the minimum space and not the space which we might be required to use to move the tonnage.

The CHAIRMAN. I think that could be easily overcome by putting in the law the method of what space shall be paid for; that is, clearly stated, let the law state what space shall be paid for; the amount of space to be required has to be initiated by the Government representatives. The railroads could not say; the Interstate Commerce Commission could not say; and that is necessarily so. The presumption is that the department would call for the space that in their opinion would be required, based upon experience of the previous year, with an allowance for the growth of the business. You would not expect the departmental representative to call and pay for space that they did not think would be required or was required. As additional space was required by the postal department, it would be called for and furnished by the railroads and paid for by the Government. The law, if it clearly stated how those payments were to be made, so that there could be no question between the Government's representatives and the railroad's representatives, it seems to me, would eliminate the difficulty which you mention. I think that could be worked out.

Mr. WORTHINGTON. It is easy to see that on a space basis temptation to save in payments to the railroads might lead to sacrifice of efficiency and quality of service given the public through discontinuing distribution of mail en route, and even the abolition of the latter on some routes in favor of carriage in pouches. Again, at the present time the mail is handled between important cities on a large number of trains, giving improved service to the public and frequent deliveries. It would be quite easy to concentrate the mails, if payments were made on a space basis, on fewer trains in order to reduce the railroad's pay, but it is hardly necessary to point out the disadvantage of this to the public.

The CHAIRMAN. In that connection would not the departmental representatives be held responsible by an insistent public?

Mr. WORTHINGTON. If they wanted to make a record for economy, they are liable to impair the service.

The CHAIRMAN. Wouldn't they also get a red-letter criticism on account of the inefficient service?

Mr. WORTHINGTON. No.

In case of light traffic routes railroads are generally obliged to furnish whole cars in which mail, baggage, and express are carried, there being necessarily a considerable amount of empty space in such cars not required by any of the three classes of traffic. Under a space basis it would probably be claimed that mails should be charged only with space they occupy, leaving the empty space a burden on other classes of traffic. The Government receives its pay for carrying mails on a weight basis, and should not object to paying the railroads on the same basis, as the Government's revenue increases with the weight of mails. Operating expenses of railroads have been increasing for 10 or 15 years, due to higher wages and higher prices of material. In freight service they have offset this effect by hauling greater weights per foot. On a space basis for mails they would be denied any additional revenue for hauling greater tonnage per foot, which is unfair, as the railroads ought to be permitted to offset rising operating costs in this way.

In other words, the R. P. O. pay is comparatively small at the present time, and while that continues the small part of the compensation the department is more apt to ask for increased services, as they can get it cheaper than they would if the total compensation was based on space. It seems to me if it was based on space the department would hesitate a long time before they would ask for more space on any route, because that would increase their rate directly, whereas under the present conditions they can get more space at comparatively little more charge; that is, more distributing space. Suppose, for example, on a space basis another R. P. O. car was required on any route. That would increase the pay directly in proportion to the number of feet of space, and the department, I think, would hesitate on ordering that car on, as compared with the present conditions, whereas they can get that car by practically a nominal compensation. That is another point that occurs to me. No matter how much tonnage we put in a foot of space, if we were paid on a space basis we would get no more compensation for it, and as the Government can double the weight per foot, they can pay the railroads much smaller percentage of the revenue.

The CHAIRMAN. Let me ask you in that connection a question. You say the governmental receipts themselves are a factor in determination? In other words, what the Government can pay, to your mind, is a large factor in the determination of what the Government shall pay?

Mr. WORTHINGTON. I think so. In other words, it is the ability of the Government to compensate the railroads for handling the mail. I think that is a factor just as much as the cost of service or anything else. In other words, if in 10 years they can double their revenue it only seems fair, if the railroads are hauling twice the ton mileage on a space basis, we could get nothing more for that.

The CHAIRMAN. And your premises for that opinion are what? That the people have to pay it in any event, whether they pay it for freight or passenger or mail?

Mr. WORTHINGTON. No. I think the service rendered to the Government by the railroads is measured more in proportion to the

tonnage they handle than anything else; that is, the service they give the Government; they haul a certain tonnage of mail.

The CHAIRMAN. You put the Government on a par with the ordinary citizen; the Government is not supposed to operate the mail for profit to the Government. Personally I believe that the Postal Department should be absolutely self-supporting and rates should be established which would enable it to be self-supporting, but that is only my own personal opinion.

Mr. WORTHINGTON. You will find a great many roads where the existing rates, per car-foot mile, on one road, is double what it is on another. In other words, those roads carrying twice the rates per car-foot mile are now performing twice the service not only in transportation but in terminal service. Those roads are also the roads furnishing the special mail trains. In other words, the road hauling the double tonnage would get the same pay per car-foot mile and would get nothing for additional special mail trains they run on account of the business they are handling and on account of the amount of it.

The CHAIRMAN. Why does not that objection apply to your present system?

Mr. WORTHINGTON. Under the present system we do get more as we increase our weight per foot. We divide with the Government. In other words, we get more, but through the automatic reduction of the present law, as density increases the Government pays less, so it is a sort of division. The present law is admirable in that respect. We get something and the Government gets something; on the space basis the Government would get it all. That is the proposition. I have a memorandum with regard to the railway mail pay on heavy traffic routes.

There is an impression in some quarters that where mail transportation is concentrated on heavy traffic routes the service is very remunerative to the railroads, on account of the apparently large compensation as compared with the amount paid on light traffic routes.

There are 70 routes in the United States on which the total pay for transportation is $100,000 or more per annum, and 3,308 routes on which it is less than $100,000. On these 3,308 routes the total pay for transportation is $23,515,258; on the 70 heavy traffic routes the pay is slightly less, or $22,982,742. When we come to work done for this compensation, however, it is found on the 3,308 routes only 168,368,512 ton-miles of mail are handled, while on the 70 heavy traffic routes 381,479,461 ton-miles are handled, or two and one-fifth times the service rendered the Government on the heavy traffic routes for less money received. Per ton-mile of mail the pay for transportation is 14 cents for the 3,308 routes and only 6 cents for the 70 heavy traffic routes, or less than half as much. If the railway postal car pay is included the pay per ton-mile for the 3,308 routes becomes 14.8 cents and for the 70 routes 6.8 cents, R. P. O. car pay being the same per ton-mile in each case.

Even on the space basis the pay on these 70 heavy traffic routes compares unfavorably with the others, as the transportation pay per car-foot mile for the 70 routes is only 4 mills, while it is 4.3 mills for the 3,308 light traffic routes, using the car-foot mileage contained

in Document 105, which does not take into account all the car-foot space reported by the railroads. This shows the benefits received by the Government through the automatic reduction in rate as tonnage increases and also shows that the heavy traffic routes are performing vastly more service to the Government in proportion to the money the railroads receive than any other routes. Not only this, but on a great many of these routes the railroads are maintaining exclusive mail trains, which add materially to their expenses.

Therefore, although one-half of the mail pay goes to only 2 per cent of the total number of routes, covering about 12 per cent of the railroad mileage, these routes are not overpaid, but are really underpaid. This being so, is not the conclusion justified that the compensation is inadequate on the 98 per cent of the routes with 88 per cent of the road mileage that receive only 50 per cent of the pay?

I just made that computation as to 70 of the heaviest traffic routes to see how much business they were hauling. They were hauling twice the ton mileage and this shows how this automatic rate works out on the heavy traffic routes.

Under a space basis, as pointed out, a parsimonious administration would be able to reduce payments to the railroads, often with injustice to the railroads, by cutting down space after it is once authorized; by not allowing pay for necessary empty movements, etc., and also at the expense of efficiency in service to the public. A subsequent administration might, on the other hand, be too extravagant in the space allowances to the railroads. A weight basis is not open to either of these criticisms. Only a small part of the railroads' mail pay compensation is based on the space required in R. P. O. cars, this being under the control of the department. As a consequence with the constant growth of the country, requiring increased distribution space on trains for the public benefit, the Postmaster General can secure this space from the railways with a minimum of cost to the department. Under a space basis plan the added facilities would be very expensive to the department and it can be conceived that the expense would be sufficient in many instances to determine the department against giving the public this greater service on account of higher cost involved. Whilst we are contending that the railways are now carrying the mails for much less comparative remuneration than that received from other classes of service, we believe a continuance of the present plan with annual weighing and pay for apartment cars, as well as some compensation for the side and terminal delivery service, is fair and more acceptable to the roads as a whole than the proposed space basis. If the commission should find, as we believe they will, that the railroads should receive more compensation than they are now getting, we think this could best be brought about by restoring the losses incurred by the reductions in their pay commencing in 1907, which we have always thought were unjustified.

The CHAIRMAN. Your presentation was very able, Mr. Worthington, and we thank you very much.

Thereupon, at 2 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.

AFTER RECESS.

The hearing was resumed at the expiration of recess at 2.30 o'clock p. m.

The CHAIRMAN. Now, Mr. Worthington, to resume and summarize, I infer from the statement that you have made to the committee that it is your conclusion and conviction that either of the suggested plans of former Postmaster General Hitchcock, contained in Document 105, and submitted to this committee under date of January 13, 1913, the adoption of which would be the substitution of space for weight as the measure of the service rendered, is undesirable from the governmental standpoint as being impracticable of administration and from the transportation standpoint as being inequitable to the transportation companies and necessitating a very expensive method of accounting in the transportation companies, and that it is your opinion that no improvement can be made on the present system of practically determining the measure of the service rendered for 90 per cent of the mail by weight and 10 per cent by space governed in the R. P. O. service?

Mr. WORTHINGTON. The present method, with the amendment suggested by the committee on railway mail pay, which are annual weighing, or the equivalent of that, and pay for apartment cars.

The CHAIRMAN. And compensation or relief from side service.

Mr. WORTHINGTON. Compensation and relief from side or terminal delivery service. I really think what the railroads are asking for is more than reasonable, for even if they are given both of these additional payments, the compensation for handling the mails will be very reasonable as compared with what they receive for other classes of traffic.

The CHAIRMAN. If I understand what the railroads are asking for it is a continuance of the present system of weight as the measure of service and compensation for apartment cars, annual weighing, and compensation or relief from side service.

Mr. WORTHINGTON. Yes, sir.

The CHAIRMAN. That briefly covers it all?

Mr. WORTHINGTON. Yes, sir. I really believe if it were possible to exactly apportion expenses to passenger and freight, on a basis that would be fair to everyone, it would be found that they were asking for less than the Government would determine, if it were feasible to determine cost.

The CHAIRMAN. It is your conviction, is it, that in the adoption of the suggested departmental plan a separate calculation or consideration would have to be made or given to each route, or at least to each one of the 795 railroads with whom the Government has a mail contract?

Mr. WORTHINGTON. I think a separate method of apportionment would have to be observed to allow for the difference in local conditions which exist on one road as compared with another, and that would leave too great discretion in the hands of any individual charged with the duty of making these apportionments.

The CHAIRMAN. Why does not that objection apply with equal force to the existing method?

Mr. WORTHINGTON. Well, the existing method is a certain rate fixed by law that is not subject to the opinion of any individual, whilst the proposed method would leave it altogether to the discretion of some individual, whoever was charged with the duty of fixing the basis of apportionment, to vary at will the compensation to the railroads 10 or 20 per cent either way, according to his ideas as to the methods to be followed.

The CHAIRMAN. Suppose the law specified, if one should be enacted, adopting in effect substitution of space for weight, the percentage of compensation on capital invested and on operating cost, to be specified in the law, a method on which that compensation was to be adjusted as the measure of the service rendered—and by that I mean the number of linear feet authorized and used by the department—so that you would know that you would receive so much annually for each linear foot authorized, and the law stated that you would receive that compensation for a number of feet that the department authorized and required you to furnish at the beginning of every fiscal year, with an allowance in the law for compensation for such additional authorization as conditions might require in excess of the estimated authorization made by the department that covering, say, a period of days or a period included in the round trip; would you not then have, theoretically at least, your annual weighing and your weighing feature taken care of by your compensation being based on annual authorization for the linear number of feet called for, be relieved of the burden which you claim you now have to bear in getting no compensation for apartment cars, and while, of course, the side service and terminal feature is not dealt with in the suggested plan, yet theoretically does it not cover and furnish relief for apartment car and quadrennial weighing?

Mr. WORTHINGTON. Such a plan might remove some of the objections to control by the Postmaster General or to unreasonable control or regulation and it might do away with the apartment car feature, but it is open, I think, to the very serious objection that it does not equalize the difference in existing conditions on different railroads as to weights carried per foot; in other words, as to service rendered to the Government in handling tonnage. There are some roads that haul much larger amounts per foot than other roads, and it does seem to me they ought to receive more compensation than the roads furnishing the same car space and hauling less tonnage, because those roads also are the roads that are running the fast mail trains, whereas the other lines are furnishing most of their space on trains with passengers and express.

The CHAIRMAN. Does the Government require you to put on fast mail trains?

Mr. WORTHINGTON. No. They do not require us to put on fast mail trains.

The CHAIRMAN. You do that of your own initiation?

Mr. WORTHINGTON. Yes, sir.

The CHAIRMAN. You do it because you expect to receive an indirect benefit by so doing?

Mr. WORTHINGTON. Yes.

The CHAIRMAN. Should the Government pay for that, as long as you, of your own volition, initiate and improve that activity?

Mr. WORTHINGTON. Suppose the pay would be reduced on a space basis on a line like the Union Pacific. In order for them to make both ends meet, it would be necessary for them to take off trains of that kind, otherwise if they did not do that the pay would be entirely inadequate. They are hauling very large tonnage per foot and are getting enough money out of the business now, in a way, to reasonably compensate them for this mail train, but if that amount is going to be largely reduced, as a space basis is going to reduce it, they could not afford to run the train.

The CHAIRMAN. You are predicating your position with the assumption that by the substitution of space for weight your compensation is going to be reduced.

Mr. WORTHINGTON. It would be on lines which are carrying the larger weights per car foot, and the lines which are carrying the less weight per car foot would be raised. I think it would be rather unjust to the lines that are performing the greater service per foot, and besides that it would mean that they would not participate at all in future economies through heavier carloading per foot. They would get the same return whereas the Government would receive directly in proportion to weight, as this is, on a weight basis. I think if any change is going to be made it ought to consider both space and weight. I do not think that the weight feature ought to be left entirely out of consideration.

The CHAIRMAN. As I understand, you have both to-day—space and weight.

Mr. WORTHINGTON. Yes.

The CHAIRMAN. Ninety per cent weight and 10 per cent space represented by the R. P. O. cars. The adoption of the suggested plan of former Postmaster General Hitchcock would simply reverse those percentages?

Mr. WORTHINGTON. It would not consider weight at all, would it?

The CHAIRMAN. Reverse those percentages, it would consider weight simply as in the pouch service, which represents, as I understand, a very small percentage of the total weight of all mail.

Mr. WORTHINGTON. It seems to me there would be little inducement on the part of the large lines to run fast mail trains because they would get practically as much pay even though they would lose a considerable part of that tonnage, because they would still get paid on a space basis and even if their weights per foot were reduced, they would get as much money for it on a space basis.

The CHAIRMAN. Would they? These authorizations are made annually. Of two competing lines, if one gave superior service to the other, at the expiration of the year the Government would make its contract with the railroad showing the greatest efficiency. Therefore, the inducement would be there just the same to run your fast mail trains. Your competition now is not in the rate received per ton of mail, but in the service rendered to the Government. That is the only competition there is between the railroad companies in the way of getting the mail contract in the United States, is it not?

Mr. WORTHINGTON. Yes, sir.

The CHAIRMAN. There is quite a distinction. It is an efficiency competition and not a cost competition.

Mr. WORTHINGTON. That is about all the competition we have in any class of service nowadays. There is no more rate competition, but it is competition of service.

The CHAIRMAN. So, if you fail to give as efficient service as a competitor of yours did, while you might carry in that zone of activity 90 per cent of the mail for this year, you would lose that 90 per cent next year. Hence, your inducement would be there to continue your fast mail service in order to hold prestige over your competitor. The inducement of putting on fast mail service is to make you a more effective competitor in the way of efficiency. Should the Government pay for that additional cost that you yourself, of your own volition, saw fit to incur because you believe, I assume, that the business is of some value to you, either directly or indirectly—the carrying of that mail?

Mr. WORTHINGTON. Well, we of course handle the mail on a special mail train largely on account of its volume and, as you say, it is competition of service and we feel we have to maintain the mail train on the heavy traffic route in order to keep the mail to our line. But if the mail compensation was made inadequate, or our compensation was reduced, I do not think we could afford to compete for that mail as actively as we have done before; the business would not be worth so much to us and it is questionable whether it would be worth the additional expense of running a mail train, or whether we could not put the mail on the regular train, whatever we get.

The CHAIRMAN. That is optional, entirely with you.

Mr. WORTHINGTON. Yes. But the rate might be brought down to the point where we would do that.

The CHAIRMAN. Should the Government take that into consideration?

Mr. WORTHINGTON. I think if the mail trains are taken off it would be a more serious disadvantage to the Government, or to the people, because the mail trains are run at a faster speed than are other trains. The mail is handled more expeditiously, but, as I say, if the rates are going to be brought down, it is questionable whether there will be enough new business to maintain them, and the rates would be brought down on such lines as the Union Pacific and the Southern Pacific, if we are to be equalized with roads which are hauling less weight per foot than we are. I know that the Santa Fe, which is compared with the Southern Pacific, hauls considerably less per foot than the Southern Pacific, and gets considerably more out of the mails. If we were put on a space basis it would make quite a difference in our compensation. Another thing I do not quite understand is this: I have an idea that any space plan is necessarily connected with a cost plan. If it is, that makes the space plan more objectionable, because it would fix a different rate for the space per foot on different lines, on competing lines, and wherever two lines compete between two commercial centers, it would mean that the rate fixed necessarily would be the rate of the lowest cost line, because the high cost line could not afford to ask for more money than its competitor. If the high cost line wanted to get any mail business it would have to come down in the rate.

The CHAIRMAN. In other words, if I catch the trend of your mind there, it is this: That on a compensatory basis of percentage allowance on operating charges and capital charges in competing territory,

one road would get all of the business providing it had a smaller capitalization for the service rendered and its operating costs were the same.

Mr. WORTHINGTON. Yes. That is, it would have a lower cost and I presume the department would, for the purpose of economy, give the mail to the road showing the lowest cost.

The CHAIRMAN. We thank you very much, Mr. Worthington, for presenting your views.

The CHAIRMAN. I insert in the record a copy of a letter which I addressed to Mr. Peters, chairman of the committee on railway-mail pay, under date of March 13, 1913, as follows:

MARCH 13, 1913.

Mr. RALPH PETERS,
*Chairman Committee on Railway Mail Pay,*
*Pennsylvania Station, New York, N. Y.*

MY DEAR SIR: In the consideration of the question of railway mail pay, there has frequently arisen a question as to the relative rates paid to the railroads for transportation of express and of mail matter. It has been frequently asserted that the mail rates are much in excess of the express rates. I wish to ask you to advise the joint committee how the rates compare, and in what particulars and to what extent the service rendered to the Post Office Department differs from the service rendered to the express companies. I wish this to include a statement, if any, in the amount of responsibility the railroad companies assume in base of injury to mail or express or employees.

Thanking you for your courtesy in the matter, I am,
Yours, very truly,

———— ————, *Chairman.*

The CHAIRMAN. I herewith insert in the record a copy of Mr. Peters's letter under date of March 26, 1913, in reply to my letter to him under date of March 13:

MARCH 26, 1913.

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, Washington, D. C.*

MY DEAR SIR: Answering your letter of March 13, I am very glad that you give us an opportunity to answer the question in regard to the relative rates paid to the railroads for the transportation of express and of mail matter, as there seems to be much misunderstanding and misinformation concerning these matters.

The railroads do not participate in the rates made for express. The express companies setle with the railroads, as a rule, on a percentage basis, the contracts providing that the railroads shall have a given percentage of the gross revenue from the express business handled over such railroads, the rates made by the express companies in no case to be less than from one and a half up to two and a half times the first-class freight rates. These percentages vary from 40 to 56 per cent. I believe the average for the country in 1910 was about 47 per cent.

The only way we have had to compare the relative revenues derived by the railroads from express and mail matter was that brought out by the investigation of the Postmaster General in November, 1909. In our preliminary report, which is reproduced in Document No. 1 of the hearings before your joint committee, there is a statement, on page 52, showing the average revenue per 1,000 foot mile, for mail $3.23, for passenger $4.42, and for express $3.86—the total average revenue per 1,000 car-foot mile for passenger trains $4.25.

The Second Assistant Postmaster General has made a report to you as the result of the work of the joint committees suggested by you at our hearing in February, using the car-foot miles reported by the railroads in November, 1909, without any of the changes and modifications made by the Post Office Department, showing the earnings from mail service per 1,000 car-foot mile $3.37, and the earnings from all other passenger services $4.34. He does not give the express separately. I think, however, it will be found by using the same

car-foot mileage figures that the revenue per 1,000 car-foot mile for express service was very near the figure given in the preliminary report of our committee, namely, $3.86 per 1,000 car-foot mile.

This is the first time that any real comparison has been made of the revenues from the two classes of service.

The revenue from express service as shown in these figures refers strictly to the railroad companies' proportion received from the express business under their respective contracts. Under these contracts the railroad companies assume no responsibility whatever for damage or loss of express goods or for responsibility of personal injuries to the express employees. The railroad companies furnish the cars and haul them, but the cars furnished for the mails are much heavier and more expensive. The express traffic is loaded in and loaded out by employees of the express companies. Where any special station facilities are furnished exclusively for the express companies, the railroads receive additional compensation. Where a railroad employee performs any service for the express company, like train baggage men, additional compensation is paid either to the railroad company or to the employee direct; likewise in the case of the station agents.

In the case of the mail the railroad companies are responsible for the safety of the mail clerks and employees while upon the trains or at the stations. The railroads furnish the cars for hauling the mail, but receive special pay for the special post-office cars of 40 feet or more in length, but this pay is included in the revenue per car-foot mile given above. Station employees must handle the mails to and from trains and to and from all post offices located within 80 rods of the stations. The railroads and their employees receive no compensation for such extra service. Postal cars are placed in the terminal stations many hours in advance of the departure of trains for the purpose of permitting the assorting of mails; cars under these conditions have to be lighted and heated and kept in good condition for such service.

In some cases express cars are placed at the express platform in advance of the departure of trains. On heavy routes express cars are loaded to their capacity, which is very different from the case of the R. P. O. car, where the space required for assorting the mails limits the amount of the load that can be carried.

A great many more postal clerks are hauled with the mails than there are of messengers carried with the express.

There is no comparison whatever between the incidental expense assumed by the railroads on account of the express at its terminals and local stations and that incurred in caring for and handling the mails. The railroads do have an expense in checking over the waybills, including the checking of weights and rates and tabulations, to ascertain the revenues derived by the express companies on business handled over each line from which the railroads are to receive their proportion under the contracts. This expense, however, is small when the aggregate payments made by the express companies are considered.

From these statements you will see that the railroads get more revenue per car-foot mile out of the express business and assume less responsibility and risk on account of same than in the case of the mails.

I might say further that so far the railroads have not assumed any responsibility whatever for any loss in the mails due to accident or otherwise while being handled by the railroads, although attempts are being made by the Post-Office Department to place such responsibility upon them. There is great responsibility and loss to the railroads in caring for the employees of the Post Office Department.

Very truly, yours, RALPH PETERS, *Chairman.*

The CHAIRMAN. I also desire to insert in the record a copy of my letter to the Interstate Commerce Commission under date of March 20, 1913, and a copy of the reply from the Interstate Commerce Commission thereto under date of March 24, 1913, as follows:

MARCH 20, 1913.

INTERSTATE COMMERCE COMMISSION,
*Washington, D. C.*

GENTLEMEN: It has been suggested that from data on file with your commission can be reached an estimate of 25.51 cents per car-mile for the whole country as the average car-mile revenue for passenger service, including mail and express. If such an estimate is correct, the joint committee will thank you for an

official statement in verification of same, or such other estimate as may be found upon ascertainment to be correct.

While recognizing the fact that no segregation has been made of the car mileage made in the passenger, mail, and express service, the joint committee would like to have an estimate, even though an arbitrary one, of the revenue derived from the passenger service per car mile, the mail and express service being eliminated therefrom, provided the request is feasible as to compliance and will not necessitate any appreciable expenditure of the public fund.

Yours, very truly,

JONATHAN BOURNE, *Chairman.*

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MARCH 24, 1913.

Hon. JONATHAN BOURNE,
*Chairman Joint Committee on Transportation of Mail,*
*United States Senate, Washington, D. C.*

DEAR SIR: Answering yours of the 20th instant inquiring concerning the average car-mile revenue for passenger-train service, I have to say that from compilations made in the Division of Statistics of this commission from annual reports of railway companies for the year ended June 30, 1911, it appears that for what we denominate class 1 roads, being those whose operating revenues for the year exceeded $1,000,000, the average revenue per car-mile from passenger-train service is 25.35 cents; for class 2 roads, being those having operating revenues for the year below $1,000,000 and above $100,000, the corresponding figure is 28.59 cents; for class 3 roads, being those whose operating revenues for the year were less than $100,000, the corresponding figure is 27.45 cents, and for all three classes the figure averages at 25.43 cents.

Owing to the fact that the reports of car mileage and revenues made to this commission in the annual reports of common carriers are not segregated with sufficient detail to enable us to state the revenue derived from the passenger service per car-mile, we are unable to comply with the second request contained in your letter. To get any reliable information on that point would require a collection of special data from the carriers and the analysis and compilation of such data. This would be a matter requiring a considerable amount of time, for the reason that the carriers in their accounts do not make segregations which would enable them to state from their present records the figures which you seek. To show precisely what you desire would require the setting up of special records by the carriers for a time sufficient to furnish reliable data.

Respectfully,

G. B. MCGINTY, *Secretary.*

Mr. W. W. Safford, general mail and express agent of the Seaboard Air Line Railway Co., submitted the following statement under oath:

SEABOARD AIR LINE RAILWAY.

The question has been raised by your committee whether in the matter of railway mail pay the Government should be treated as a shipper or whether the railroads owe a patriotic duty to the Government which should be considered as justifying a lower rate for the transportation of mails than they are entitled to receive from their commercial business.

A great danger in the consideration of the subject from this point of view before a congressional committee is that a precedent may be established in a matter affecting 1.78 per cent of our revenue, which might be seized upon by other legislative bodies and commissions and applied disadvantageously to us as to the other 98.22 per cent of our business.

If the postal service were a free public service the argument might have some force, but it is not. It is a commercial proposition all the way through. Rates of postage and charges for other postal service are arranged upon a uniform cost to the public for each unit of service, and there would seem to be no moral foundation for a conclusion that the railroads should be called upon to adopt an attitude in a purely commercial relation with the Government, the principle of which the Government itself does not recognize in its dealings with the public.

The courts have held that the relation of the railroads with the Post Office Department is a relation of contract, and it would, therefore, appear that the

same conditions should govern the question of pay for the transportation of mail on railroads as apply generally to others having contractual relations with the Government.

The first and most important purpose of the postal service is to facilitate communication between the people, and the transportaton of the mails on railroads is its most valuable and important agency to that end. It has been shown that but 21 per cent of the revenue of the Post Office Department is expended for that purpose, while 79 per cent is used for conducting the service, administration, etc. If the object of this inquiry is to ascertain whether the expenses of the Post Office Department can be reduced, would not true economic principles suggest the 79 per cent item as the proper and more promising field, particularly since by far the greater portion of postal revenue is derived from transportation?

The plan proposed by the Postmaster General in his "Tentative draft of proposed law for regulation of railway mail pay" contemplates the ascertainment annually by him of the cost of the service on each railroad and the adjustment of compensation at a rate per annum equal to the cost to the railroads of carrying the mails and 6 per cent of such cost; and, in addition, companies may (not shall) be allowed such "additional amounts , if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service," said cost and adjustment of pay to be respectively ascertained and made upon a space or car-foot mile basis. The proposed law also provides for practically unlimited administrative authority over railroads and terminal companies with incidental penalties which smack strongly of confiscation.

It is scarcely to be believed that Congress will be disposed to so far surrender its prerogatives as to confer upon a single executive officer the determination of all the elements which enter into this question, particularly when it is realized that if the bill proposed by the Postmaster General were enacted into law, it would be impracticable of administration, undoubtedly expensive, and would place Congress in the position of making appropriations at the will of an individual. There would be no "yardstick."

If any doubts exist as to the progressive increase in the cost of the postal service under the proposed plan, one needs but examine the constantly increasing cost of railroad operation. Since the data covering the cost of operation for the month of November, 1909, was furnished the Postmaster General the cost of labor alone to this company has increased over $1,000,000 per annum. Does Congress desire to take the responsibility for possible extravagance or incompetence on the part of railroads? Does it desire to indorse a principle in rate making which would tend to remove all inducement to economical management?

I have stated the proposed law would be impracticable of administration. My reason for that statement is that in the estimates for space made by the Post Office Department it very naturally and perhaps properly limits its demands and authorization to minimum or at best the average requirements of the service. Under the present weight and space plan railroad companies are compelled to furnish transportation for all mail offered on a given train without regard to the space estimated to be necessary for distribution purposes. Railroads are compelled frequently either to leave baggage behind or to put an extra car in their trains on account of overflow mail carried in baggage cars on trains carrying postal cars. With the pay based on space alone a railroad would be under no obligation to transport any mail beyond the capacity of the space specifically authorized, and the quantities of mail vary so greatly on different days of the week, and in different directions, that it would be practically impossible for the Post Office Department, without great extravagance, to provide for maximum requirements which are now taken care of by the railroads as occasion requires.

The possibility of disadvantage to the Government having been shown it is only fair to state what may happen to the railroads from a space basis. The power to do a thing consciously or unconsciously creates a desire to do it, and that inclination influenced by the point of view, prompts one to argue himself into the position that it is right to exercise his power in the manner most advantageous to the interest he represents. A particularly zealous or economical administration could work great disadvantage to the postal service through inadequate allowance for space. We suffer from this now, and it is a constant matter of contention between the railroads and the Post Office Department, as well as between different officers of the department when only 10

per cent of the railroad mail pay is represented by space, what might we not anticipate if all our pay were based on space?

We come now to the question of cost in which we must also disagree with the proposed plan of the Postmaster General. The fact that space may be used in passenger-train service as a factor in the ascertaining of cost does not make it a controlling factor in fixing rates; it may be and undoubtedly is used incidentally in fixing some rates, particularly for the same commodity in different forms, but it is a relic of the early days of transportation on water routes when it was an important element in the determination of a boatload, and with the building of railroads with improved facilities for transportation there has been a growing tendency to get away from it and to use weight alone as far as practicable. Our passenger rates are fixed by law and do not necessarily afford a fair basis of revenue upon which to determine the value of any other transportation conducted in passenger trains.

The suggestion of a level rate of return for all railroads is not a sound economical proposition. The transportation of the mails is a universal service throughout the country. A given unit of service is of the same value to the Government by whomsoever performed, and the Government should be concerned in securing the service it requires at a fair average rate of compensation regardless of the cost to the party performing it. The value of a railroad depends upon its efficiency and the Government is under no obligation to protect a badly located, poorly equipped, or inefficiently managed railroad, nor should it place a penalty upon the capital, enterprise, and efficiency employed by a well-located, well-equipped, and well-managed railroad by paying a high rate to the one and a low rate to the other. It follows from this that a level rate of profit, or specified rate of return upon the cost of service, plus an allowance for capital or the value of the property employed in the performance of the service would be unjust to the Government on the one hand and to the efficient property on the other. "The laborer is worthy of his hire," and if one railroad is able to perform a given unit of service for the Government more economically than another, it is entitled to the benefit accruing from its efficiency. The Government charges the public the same for each similar unit of service it renders, why should it seek to employ a different principle in fixing rates for the transportation of mail on railroads?

As to what constitutes compensation, I beg to submit the fololwing:

"Compensation includes as a minimum, cost of service, interest on bonds, and legal rate of interest on bona fide investment where property is located."

Mr. Justice Brewer, in the case of C. & N. W. Ry. Co. *v.* Dey (35 Fed. Rep., 866, 879), says:

"But where the rates prescribed will not pay some compensation to the owners, then it is the duty of the courts to interfere, and to protect the companies from such rates. Compensation implies three things: Payment of cost of service, interest on bonds, and then some dividend. The fixed charges are the interest on the bonds. This must be paid for otherwise foreclosure would follow and the interest of the mortgagor swept out of existence. The property of the stockholder can not be destroyed any more than the property of the bondholder. Each has a fixed and vested interest, which can not be taken away. I know that often the stockholder and the bondholder are regarded and spoken of as having but a single interest; but the law recognizes a clear distinction. A mortgage on a railroad creates the same rights in mortgagor and mortgagee as a mortgage on my homestead. The legislature can not destroy my property in my homestead simply because it is mortgaged, neither can it destroy the stockholders' property because the railroad is mortgaged."

W. W. SAFFORD,
*General Mail and Express Agent.*

## STATEMENT OF MAX OTTO LORENZ.

The CHAIRMAN. Mr. Lorenz, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you please state your full name, residence, occupation, and the official position that you hold with the United States Government?

Mr. LORENZ. Max Otto Lorenz, associate statistician, Interstate Commerce Commission, residing at Washington, D. C.

The CHAIRMAN. You have heard the testimony submitted by Mr. Worthington in the hearings to-day as a representative of the Southern Pacific Railway, have you not?

Mr. LORENZ. Yes, sir.

The CHAIRMAN. What additional questions do you think could be asked of Mr. Worthington in connection with testimony submitted by him that would give elucidation on the general subject that we have under study now?

Mr. LORENZ. There are a number of things that might be discussed. I was very much interested in following Mr. Worthington's argument, and would like especially to have him elucidate a little further in answer to your questions regarding the basis which might be used in determining the amount of railway mail pay if the cost of the service is not that basis; that is to say, if you do not directly or indirectly make an apportionment of expenses between passenger and freight, and then between passenger proper, express, and mail, so as to get an idea of what the proper portion is which the mails should bear of the total operating expenses and of capital charges, what other basis could a person really get by which you could judge of the fairness of the pay either for the service as a whole or on any individual road?

The CHAIRMAN. I will ask Mr. Worthington if he will answer Mr. Lorenz's inferential question there, and if both he and Mr. Lorenz will, in effect, have a debate on this particular subject in order to get it into the record and to have the benefit of any new viewpoints that may be brought out in such a discussion.

Mr. WORTHINGTON. I think I have already stated I see no objection to testing the adequacy of the mail pay of the country as a whole by making an estimate of the expenses, but I think it should not go any further than that, for the reason principally that about half of the operating expenses and all of the fixed charges have had to be determined arbitrarily. I would like to ask Mr. Lorenz if he thinks there is any one man competent to determine with equal justness to all of the railroads of the United States a fair apportionment of those expenses to passenger and freight service, and subsequently a fair apportionment to mail service, if there is any one man who has that ability?

Mr. LORENZ. No, sir; I would not trust any one man with making such an apportionment, but I do think that it would be possible to arrive at a conclusion as to what is a fair apportionment by having some competent body consider the argument for and against each basis and determine under all circumstances which is the fairest basis to be used.

Mr. WORTHINGTON. Has not the commission now up with some of the accounting officers that very question, the apportionment of expenses between passenger and freight?

Mr. LORENZ. It is being discussed with them; yes, sir; and the accounting officers have recommended a method of apportioning or determining those expenses which are definitely assignable to each service, but have made no recommendation as to the common expenses.

Mr. WORTHINGTON. I have never attended any of the meetings, but I have understood that they do not wish to make any recommendation as to the common expenses and prefer that the commission shall outline the expenses. They are willing to apportion common expenses on any basis which the commission may outline, but they disclaim any responsibilities themselves for such apportionment. That is really the crux of the whole situation. That is the one point that must rest on the judgment of some other individual.

Mr. LORENZ. In other words, how to determine the division of all the common expenses is not simply a question of accounting, but a question of justice, and that necessarily presumes adjustment by some one who is in a more or less judicial position, and I think very properly that would have to be made a matter of arbitrary decision, in the sense that a jury finally arbitrarily decides a case in view of all the facts as to what is right and what is wrong.

Mr. WORTHINGTON. Do you not think it would be difficult to reach any basis that would be fair to roads operating under different conditions in that apportionment?

Mr. LORENZ. I am not sure but what some of the bases that have been used would operate unfairly with respect to different roads, but I am not sure but what some basis could be found which might be flexible enough to adjust itself. I think, for example, the revenue train-mile method, which is so commonly used, perhaps works fairly well on some railroad, while at the same time it would not be so on others. It might be that some basis which combines various factors which represent different conditions or a combination unit of some kind might possibly be devised which would be reasonably fair for different roads. However, that is a matter of special study. So far as the present problem is concerned, I think that you perhaps have submitted all that is essential in really saying that as a general guide it is possible that a cost determination might be of service. Your principal objection, as I understand it, is that an individual determination of cost for each road and an inflexible application of that cost in determining railway mail pay would be unsatisfactory.

Mr. WORTHINGTON. Yes. That was my personal objection to the cost basis. It is the individual application to each railroad.

The CHAIRMAN. Would that be obviated or minimized in any way by grouping the roads?

Mr. WORTHINGTON. It would be minimized, probably.

The CHAIRMAN. Have you any idea as to the number of groups? Do you think the 10 groups the Interstate Commerce Commission has heretofore used would meet your objections wholly or nearly wholly?

Mr. WORTHINGTON. That would remove a great many of them.

Mr. LORENZ. Would it be possible to make those groups not geographically, but according to operating conditions, such as density of traffic, number of revenue train miles per mile of line, for example?

Mr. WORTHINGTON. I do not think it would, for the reason that the geographical conditions are the same on parallel lines; as to wages they pay their employees where the line with less dense traffic pays the same wages in the geographical section and their expenses generally run along about the same. If you make it vary with the density of traffic, then the roads would be classified in different groups, which might compete with each other between two common

points; one line would be in one group and one line in another because it had a different density of traffic.

The CHAIRMAN. You think a geographical grouping would answer all purposes and is the simplest way and would be the most equitable and efficient way?

Mr. WORTHINGTON. It is obviously better than individual basis.

The CHAIRMAN. And better than an effort to comply with Mr. Lorenz's suggestion here as to grouping based on density of traffic?

Mr. WORTHINGTON. I think so.

The CHAIRMAN. You think the 10 groups used by the Interstate Commerce Commission heretofore would meet most of your objections?

Mr. WORTHINGTON. They would meet the objection to using a cost basis for different roads. It seems to me, though, if a plan is to be devised of apportioning the expenses by anyone, that that plan ought to be discussed with some of the railroad people first before it should be put in to see if that plan is objectionable to them; in other words, to see if there are some objections which they can raise which are good objections.

The CHAIRMAN. Have not the railroads' representatives had every possible opportunity of appearing before this committee?

Mr. WORTHINGTON. Mr. Lorenz is speaking of some plan that might be devised to apportion expenses between passenger and freight for this purpose.

The CHAIRMAN. But I assume that the suggestion would cover an interchange of ideas between the railroad companies and the governmental representatives, would it not, Mr. Lorenz?

Mr. LORENZ. Yes, sir.

Mr. WORTHINGTON. I think a group basis would be far less objectionable than a cost basis for each railroad.

Mr. LORENZ. How would that compare with the present method in simplicity of administration? Would it mean that you would have one rate for each geographic group?

Mr. WORTHINGTON. Well, necessarily, if the roads are grouped.

Mr. LORENZ. Would that not be simpler than the present basis where you have to determine a separate rate according to the density of the mail route?

Mr. WORTHINGTON. I do not know that it would, because that at the present time is done only every four years over a short period of time.

Mr. LORENZ. You ask that it be done annually. On that basis it would be simpler. If your request was granted for an annual weighing you would every year have to determine the density of each mail route and then apply a separate rate to each one.

Mr. WORTHINGTON. Yes.

Mr. LORENZ. Under the plan of having a cost determination for each group, would it not be much simpler, because then you would simply have your rate——

Mr. WORTHINGTON. It depends on how much accounting we would have to do to determine the cost. It depends a great deal on the methods specified in getting at this cost.

Mr. LORENZ. Supposing that were made a part of the regular reports of the Interstate Commerce Commission, would not the group

plan be pro tanto simpler than the present method, in that at the present time you have the separate rates not only for each railroad, but for each mail route? A separate rate is not specified in the present law, but the law requires the department to determine first the density of each route and then the rate.

Mr. WORTHINGTON. It is a difficult question to answer, whether the weighing of the mails is more or less difficult than the detailed method of keeping accounts separate between passenger and freight, without having any knowledge of how much detail the commission would require. If they mean that we would have to start out at the fundamentals and separate every item of expense and apportion the time then by every man at a station between passenger and freight service and go into a great deal of detail, it would mean a great deal of labor.

Mr. LORENZ. I am assuming that labor will be done anyhow, as a general accounting practice requires on the part of the commission?

Mr. WORTHINGTON. If we have to do it anyhow, it would not add anything to our work, necessarily.

Mr. LORENZ. Then so far as the railway-mail pay administration is concerned, it would be simpler?

Mr. WORTHINGTON. Yes, if the commission is going to make us do this accounting anyhow, as you have qualified your question. I would like you to understand that I am not saying that there are not objections to this cost basis in itself. The great objection is that in any event, all of the operating expenses and fixed charges have to be left to the determination of some individual, and the railway-mail pay to that extent is really in the hands of that person or that commission, whoever it is, that makes this apportionment.

Mr. LORENZ. But a general apportionment, if made by the Interstate Commerce Commission, or some other competent body, would naturally be used, not merely in determining the cost for the purpose of determining the railway-mail pay, but would also be used in freight-rate cases where cost was important and in passenger-rate cases, so that whatever injustice was done in one direction would be counterbalanced in the other direction in the other class of cases.

Mr. WORTHINGTON. Well, to a certain extent, yes; because when it comes to freight or passenger rate cases cost is only an incidental factor. The value of the service is considered there, whereas, as I understand, the commission's opinion seems to be as to mail that nothing but the cost of the service should be a factor, and the value of the service to the Government should not be a factor.

The CHAIRMAN. In that connection, in order that no mistake may appear in your testimony, do you refer in your remarks to the Interstate Commerce Commission or do you refer to this committee?

Mr. WORTHINGTON. Your committee.

The CHAIRMAN. I would not want to put the committee in that attitude. I know not what the committee's opinion or impression may be. That is only my impression and not a conviction.

Mr. WORTHINGTON. Well, I will modify my remarks to that extent—that is, what I have just said. But Senator Bourne gave the impression to me to-day that he individually considered that the cost of the service was the prime factor as to the amount the Government should pay rather than the value of the service to the Government. Is my understanding correct, Senator?

The CHAIRMAN. Yes. That is my present impression.

Mr. WORTHINGTON. We have always maintained, you know, there are a great many factors in our rate cases, not alone the cost of service but value of service to the Government; the value of the commodity and everything else ought to be considered. In other words, we might take a railroad plant worth $60,000 a mile and another railroad of the same value, and one of them might be performing double the service with its plant that the other road is, and I have always maintained that that line is entitled to a larger percentage of profit, whereas on a cost basis purely the two railroads would be allowed the same profit, no matter how much service they happened to render, because it would cost them alike. It is the same as Mr. Lorenz's proposition—two men running two stores on two corners opposite each other, their plant might be worth the same, but one man might have three or four times the business the other fellow has, and he would think he was entitled to a little more money.

The CHAIRMAN. That is the wholesale and retail principle, is it not?

Mr. WORTHINGTON. Exactly.

The CHAIRMAN. Is not your wholesale and retail principle covered in the present laws in a sliding scale of compensation based on rates?

Mr. WORTHINGTON. The present law recognizes that.

The CHAIRMAN. Would it not be equally recognized in the suggested plan as modified by former Postmaster General Hitchcock under the space basis?

Mr. WORTHINGTON. I do not think so, Senator, because under that plan, as I understand it, the railroads would be allowed a certain fixed return on their cost, no matter how much they might transport. If their service to the Government should increase space, for example, they should be allowed a greater return on their cost above the 6 per cent or 4 per cent, no matter if the volume of their business should double. Is not that true?

The CHAIRMAN. Why? They would require double the amount of space, and the space would determine the amount that they would receive. The basis of computation is revenue on cost and capitalization; the apportionment of that basis is on the service rendered. The service rendered is measured according to the space furnished and used.

Mr. WORTHINGTON. Plus a fixed allowance on the investment, as I understand, in addition to the operating expenses.

The CHAIRMAN. What was your viewpoint, Mr. Lorenz?

Mr. LORENZ. There are two ways of looking at it. If you take the position that a public utility is entitled to the cost of the service which it renders, in addition to a reasonable return on capital and a provision for surplus, then it seems to me the mere fact that one road might be rendering more service because there was a better loading per car is not to be considered except in so far as that increased loading per car causes more expense; to some extent, I suppose, the denser traffic would cause more expense to each road, and to that extent the cost basis would take it into account. But if the Post Office Department can obtain better utilization of the cars, that would seem to me, from that cost standpoint, a matter of profit or advantage to the Post Office Department, and properly so.

Mr. WORTHINGTON. In other words, you think the railroads should not be entitled to any of that advantage?

Mr. LORENZ. I think not, if your purpose is to base your compensation upon the complete cost, including a provision for surplus, to the public utility.

Mr. WORTHINGTON. In other words, if the Government in one of our cars should load 25 tons of mail, you do not think the railroad should get any more compensation than if that car was loaded with only 1 ton of mail?

Mr. LORENZ. Not except in so far as that increased weight of mail required more expense in handling or hauling it.

Mr. WORTHINGTON. But for the transportation of that 25 tons you would not allow the railroad any more than you would for a single ton on the same car, I suppose?

Mr. LORENZ. Not except as you can prove that the increased weight increased the train expenses, more fuel and more lubricants. It takes more fuel. Certainly to that extent the cost basis would pay you more for hauling such a car.

Mr. WORTHINGTON. Very little.

Mr. LORENZ. In other words, it seems to me your objection there is not to the cost basis so much as the straight space basis. In other words, you yourself suggested in your paper, I think, a comparison on the basis of the gross weight of car and ton, and I think from one standpoint that would be fairer than a straight space basis, but it may be less practicable than the other.

Mr. WORTHINGTON. Under the proposed apportionment of expenses, which you say the commission may order, would not that apply only to the apportionment between freight and passenger service? Is not that all the commission has in mind. They have not in mind making a further apportionment between the different classes of passenger service?

Mr. LORENZ. I, of course, do not know what the commission has in mind, whether they will enter upon that policy, but so far as the order which they have issued is concerned it is true that relates only to freight and passengers, but if they enter upon that policy it would be but a slight extension of the general principle and indeed would be doubtless desirable to have an apportionment to the various parts of the passenger train service.

Mr. WORTHINGTON. In order to make that further apportionment to the mail service, would it not be necessary for railroads to keep records of space in the trains at all times in order to comply with the commission's requirements in applying the expenses of mail service, if we have to go further?

Mr. LORENZ. It would require that much additional accounting undoubtedly, either a current record or a record obtained by taking the space at a certain date a certain number of times a year, or something of that sort.

Mr. WORTHINGTON. In other words, the railroads should, by the mere expedient, for example, of lengthening out the size of their passenger cars, it would reduce the proportion which they would receive for mail, assuming that their mail cars were not of similar length?

Mr. LORENZ. That doubtless is one objection to the space basis and may not be the fairest basis.

Mr. WORTHINGTON. We have been putting on longer cars. I guess we will have to shorten them up to get more pay for mail on the space basis.

The CHAIRMAN. In railroad operations, is it not a fact that it is desirable to have in your passenger trains cars of a uniform length?

Mr. WORTHINGTON. That does not make so much difference, Senator. The Pullman Co. are getting cars pretty long.

The CHAIRMAN. Do you not build your passenger cars, your mail, and your express cars a uniform length; I mean your new cars?

Mr. WORTHINGTON. We have different lengths. We have different standards. We have a 60-foot baggage car and a 70-foot baggage car, and of course the sleepers are around 75 feet now. The dining cars and observation cars are about the same length.

The CHAIRMAN. I would like in this connection to ask Mr. Lorenz if he thinks the wholesale and retail feature, as provided for in the varying compensation based on weight from 200 pounds minimum up to 48,000 pounds and excess under existing laws, would be similarly taken care of and provided for in the suggested plan of former Postmaster General Hitchcock?

Mr. LORENZ. It would be taken account of to a considerable extent; that is to say, to the extent that increased density of the traffic lowers the cost per car-foot mile or increases the load per car-foot mile at the same cost. But I am not convinced that that is a very great difficulty. At any rate I should like first to see some statistics regarding the trend in the average loading per postal car or per storage car. My impression is the loading per car is not very great in the postal service.

Mr. WORTHINGTON. I should not think it would be very great unless it would be possible for the department to do away with some of the distribution; in other words, to increase the proportion of tonnage handled in storage cars. I think, though, as the country is growing, judging from the past, we know there has been a large increase in second-class matter, and it is my impression there is a larger percentage in those cars now than formerly; if so, it means the weights per car foot are more now than formerly, because that weight comes in to be divided by the total car-foot space. So, even though there is no real increase in the loads in the postal car, there may be an increase in the weight per foot, due to the fact that more mail is handled in storage cars.

Mr. LORENZ. I should like to come back to your suggestion of geographic groups rather than groups of density of traffic. Would it do justice as between the various railroads in any one group, having in mind, for example, a branch road, a very small road with very sparse traffic and a main-line road in that same geographic group with a dense traffic? Would not there be an injustice upon any uniform payment within that group.

Mr. WORTHINGTON. I should think the injustice, if any, would be against the heavy traffic line, if the branch line was to get the same pay per car-foot mile.

Mr. LORENZ. The injustice, however, would exist against some of the lines.

Mr. WORTHINGTON. Yes; but I think that would be far less injustice than in the original plan of having different rates for different roads under that plan. The branch line would have to compete

with the large system which would have a number of branches, one of which branches might parallel this independent branch line and which would be sufficient to shut it out altogether from handling all mail, because the branch it competes with is part of the large system which would have the advantage of the lower cost, figured for that system.

The CHAIRMAN. You say, Mr. Worthington, "I should think the injustice, if any, would be against the heavy traffic line, if the branch line was to get the same pay per car-foot mile." Does the branch line get the same pay per car-foot mile under this contemplated plan?

Mr. WORTHINGTON. Under a group plan it would.

The CHAIRMAN. Under the suggested plan? The pay that the branch line would receive would be a percentage on the capital cost and a percentage of the operating expenses of that particular branch line, measured on the car-foot mile of space taken or authorized by the department.

Mr. WORTHINGTON. Well, not under the plan of grouping the roads, Senator. All the roads in a particular group would be taken together, all of their expenses and their fixed charges would be taken together and a uniform rate made for that group, as I understand. Is not that correct, Mr. Lorenz?

Mr. LORENZ. The Senator's question applies to the modified plan as proposed by the ex-Postmaster General. There, it is true, you would take the operating expenses and the capital charges of each particular road by itself and my objection would not hold, but what we were discussing was that to avoid the difficulty and complexity of taking each road by itself, we would take one group of roads in a geographic district and find the average cost upon all the roads in a district and proceed in the same manner. The question is whether that average cost would not be injurious to some roads and unduly advantageous to others in that same district.

The CHAIRMAN. The cause of the difference in the value received from the money invested in capital in different roads and the difference of efficiency of administration and operating costs. Is that it?

Mr. LORENZ. This would be among the reasons. I had in mind especially the difference in traffic density which might effect the charges per car-mile, so that if the average for the whole geographic group gave you a reasonably low cost per car-foot mile, that might be an injustice to that road with sparse traffic which had a high cost per car-foot mile in that same district.

The CHAIRMAN. And such injustice does not apply, then, under the present method of weight carried?

Mr. LORENZ. No, sir. The present method of weight is supposed to take account of the different density upon each road.

Mr. WORTHINGTON. Is it not a fact now the light-traffic roads get less per car-foot mile than the heavy-traffic roads, or do they get more?

Mr. LORENZ. I think that the present method may, in some cases, work out unjustly.

Mr. WORTHINGTON. Would it not be equally unjust, under the proposition, of having different rates for each road? For the small-traffic line I pointed out the situation before. If cases where the small-traffic line had to compete for mail business with the branch of a large system they would be at a disadvantage. Would it not, in that

case, have to either come down to the low rate of the branch of the large system or go without handling the mail, speaking of the little road.

Mr. LORENZ. If the department attempted to make them complete, I suppose that is true.

Mr. WORTHINGTON. Is the department liable to give mail to a road where the rate was materially higher than to another road between the same points?

Mr. LORENZ. I suppose the larger proportion of the mail would go upon a certain mail route, irrespective of the rate. I do not know what proportion of the total that would be.

Mr. WORTHINGTON. Do you not foresee a great many difficulties and a good deal of accounting in the plan proposed by ex-Postmaster General Hitchcock to determine a different rate for each of the different roads in the United States on a cost basis?

Mr. LORENZ. It would occasion many accounting difficulties, undoubtedly, and possibly might not be expedient unless it could be made a part of some general system of accounting so that it would be determined more or less automatically each year.

Mr. WORTHINGTON. It seems to me until such time as the commission does require the railroad to apportion their expenses in this manner, that it would impose additional expense on them to do it merely for the mail. It may be the commission may decide not to ask the railroads to apportion expenses between passenger and freight at all. If that is so. I think all expenses would be chargeable, if it is done primarily to determine the mail cost, to this bill.

Mr. LORENZ. A short cut might be justified for some years, but it would not be recognized as being the permanent solution.

Mr. WORTHINGTON. I do not think a short cut would be equitable to different railroads. If you are going to base the pay of the mail on cost, I think the cost ought to be very carefully determined.

Mr. LORENZ. How, if you retain the present law, would you do justice as between the various railroads? I think it is commonly stated that the present law works inequitably as between different railroads, that some railroads get more perhaps than they ought and others less.

Mr. WORTHINGTON. I think there is a good deal of misunderstanding on that point, and I think that misunderstanding was added to by the figures presented in Document 105, whereas certain roads showing they are incurring large losses, according to the method of subdividing expenses between passenger and freight, would produce quite a different result.

Mr. LORENZ. But is it not shown that certain railroads actually pay out for the expenses difinitely assigned to the mail service, taking the time of employees, and so forth, into consideration more than they get in actual revenue?

Mr. WORTHINGTON. No. I never heard of that. I never heard of any road presenting a statement of that kind. They may have done so. I do not think any road could actually show they had paid out more in service to the employees than they got for the mail, unless it was a very short line with large terminal services, I do not know of any important road that has done that.

Mr. LORENZ. In order to eliminate that particular difficulty would you make a separate consideration of the terminal service?

Mr. WORTHINGTON. Yes. I think the proposition of the railroads that the roads should receive relief for side and terminal handling would cover that point. It would cover the cases of the small roads which had an enlarged amount of terminal or side delivery. Otherwise, I do not see anything particularly inequitable between different roads on a present basis of pay. They are all paid on the same basis, and I am saying that from the standpoint of a road where operating costs are high, as they are on the Southern Pacific.

Mr. LORENZ. But is it not true that the proportion of storage mail and apartment car service is different on different roads?

Mr. WORTHINGTON. Oh, yes.

Mr. LORENZ. And would not a straight tonnage payment basis work injustice on that account?

Mr. WORTHINGTON. Perhaps that is offset by the present law providing for a material reduction in rates per ton-mile as the weight increases. The result of that is on 70 of the heaviest traffic routes the rate per ton-mile is 6 cents, and on 33 of the routes it is 14 cents, and the 70 routes are receiving just half the amount of the other routes and they are hauling two and one-fifth times the ton mileage.

Mr. LORENZ. Would you say that was injustice to one group or the other group?

Mr. WORTHINGTON. Well, that is rather a difficult thing to say without going into the work done on those 70 groups as compared with the work done on the others.

Mr. LORENZ. In other words, you come back again to the compensation for the work done on the cost basis before you can tell whether an injustice is done to one group or the other group. You come back to the work done?

Mr. WORTHINGTON. You necessarily have to take into consideration service rendered; yes.

Mr. LORENZ. And that has to be measured not by the ton-miles, because that is in your computation?

Mr. WORTHINGTON. The cost basis is not so objectionable in itself, but it is objectionable on account of the impracticability of obtaining it, so far as I know, in any definite manner, except by estimates for the larger part of the expense. If cost was a matter of known determination, if it was absolute and we knew just what it would cost for passenger and mail service, it would be an entirely different thing, but we do not know that.

Mr. LORENZ. Subject to your claim that the railroad ought to get the benefit of the economy in loading, even if it did not cost any more?

Mr. WORTHINGTON. That has not any particular connection with the cost basis. That is connected with the space basis. The objection to the cost basis is it is impracticable, or rather the fact that it is a mere guess. It is not any more than a guess. It can not be distinguished by anything better than that.

The CHAIRMAN. Must it always necessarily be a guess?

Mr. WORTHINGTON. I think so.

The CHAIRMAN. You think it is absolutely unattainable?

Mr. WORTHINGTON. It is absolutely a guess, and that is all it is. It is a question of how one man guesses as compared with another, when you come down to fixed expenses, and how much capital charged should be apportioned to the mails.

Mr. LORENZ. Is the word "guess" a suitable term? Would it not be better to say it is a matter of judgment as to the fair measures or utilization of common facilities? For example, suppose we rented an office together for $50 a month. There is a joint expense for a common facility. We have before us a statement of the number of square feet of that office that each of us has used, and if we told a body of umpires that we wanted a fair method of dividing that $50 between us, and it seemed to them that the floor space, considering that you had the same amount of other advantages in the office, was a fair measure of division, could you say that that was a guess?

Mr. WORTHINGTON. I think that is an entirely different proposition. You have something to work on in that case.

Mr. LORENZ. Let us see whether you haven't something to work on in the other case. Take for example the rails, the track upon which the trains run. There you have a common facility which causes a common expense. That track is utilized by passenger and freight trains. For a certain distance on each end of a train you may say the track is monopolized by the train passing over it. However, the amount of monopolization seems to depend on other factors than the mere presence of the train, because a train moving rapidly will monopolize a given space a less time than a train moving slowly. In other words, by presenting to a judicial mind all of the reasons why on a given railroad the passenger service gets more utilization, you might say, out of that track than the freight service does, could you say that the final judgment rendered as to the proper basis of division was a mere guess?

Mr. WORTHINGTON. Would you consider in that case—a proper basis—a train-mileage basis a proper one?

Mr. LORENZ. I would not attempt here to say what is a proper basis, but my point is that after hearing the arguments in favor of the various bases, a fair determination of what seemed a fair basis would not be in the nature of a mere guess.

Mr. WORTHINGTON. But haven't you formed in your own mind any preference or any inclination toward any measure for proportioning expenses of that kind?

Mr. LORENZ. Not any definite conclusions, although it seems to me that the basis which pays some attention to the weight carried and the speed with which it is carried would perhaps be not so extreme in the one direction as train-miles, or so extreme in the other direction as car-miles, and might possibly form the basis for a compromise, but I am not prepared to state just what the conclusions should be. It seems to me any result we arrive at would not be wholly a guess, but it at least could be defended as not being capricious or wholly unfair.

Mr. WORTHINGTON. I think if some local railroad man familiar with the conditions on his own railroad, or some one else unbiased who was familiar with the conditions on that particular railroad, might be able to make a fairer estimate; but if the duty is given to one man or one body of men to fix a basis to be applied to all the railroads of the United States, I think you can hardly distinguish it in any other term than as a mere guess, because the man making the basis has no knowledge whatever of the conditions on the different railroads; he possibly has not had any practical railroad experience, and it seems to me rather a stupendous proposition to put up to him. A great part of the operating expenses represent decay or obsolescence. Only

a portion of tie renewal is due to crushing out under the wheels and rails, and a good part of it is due to decay materially the same as to structures, fencing, and things of that sort. Now, for any man to say what basis of apportionment those expenses should be between passenger and freight, it is hard to conceive of.

Mr. LORENZ. It is obvious to me neither the passenger nor the freight trains cause the decay of the ties. As you say, it is due to the weather stress. But do they not utilize those ties while the trains are passing over them, and possibly for that portion of the expense the train-mile basis would be a fair one. In other words, instead of trying to determine the extent to which each one causes that expense, try to determine the extent to which each one utilizes this.

Mr. WORTHINGTON. This expense aggregates to a considerable amount and it may make quite a difference whether you use one basis or another, whether you use train mileage or earnings. The aggregate of these operating expenses is large. Take, for example, the flood damage to the railroads in Ohio. The cost of repairing them is going to be from $25,000,000 to $50,000,000, possibly, on all of the railroads. How would you apportion work of that sort between passenger and freight?

Mr. LORENZ. That is simply an illustration of expense caused by weather stress, we will say, and would be apportioned on a basis measuring the use which each class of service made of this track which would have to be repaired.

Mr. WORTHINGTON. Now, consider return on investment, those expenses are about 50 per cent as large as the entire operating expenses and as to that large proportion of the expenses which would have to be used in making the mail rate there is absolutely no definite basis of apportionment. It is altogether a matter of judgment.

Mr. LORENZ. I think the capital charges are not quite so difficult in theory as frequently represented. If you can apportion the maintenance of way and maintenance of the different charges between the two services in any satisfactory way at all the interest on the capital invested in the property maintained might be apportioned in the same ratio. In other words, you simply apportion capital charges in the same manner in which you apportion maintenance charges.

Mr. WORTHINGTON. Is not that a mere approximation?

Mr. LORENZ. Doubtless.

Mr. WORTHINGTON. Some one else might come along who had authority and apportion them on a train-mile basis or on a maintenance basis.

Mr. LORENZ. Of course these different bases, as I say, have to be presented and defended.

Mr. WORTHINGTON. In other words, I think you have to admit it would be within the power of the individual or the commission who fixes the mail pay on this basis to change that from 10 or 20 per cent by specifying changes in the method of apportioning expenses. I thing that is so.

Mr. LORENZ. I think it doubtless is true that if the body which is important enough and which has authority enough to determine the basis in the first instance, believed that the new basis was better,

why then the whole matter should be so decided and it would be entirely proper.

Mr. WORTHINGTON. That is our real objection to the cost basis. There is too much a matter of approximation.

The CHAIRMAN. Too much personal equation.

Mr. WORTHINGTON. Too much altogether.

The CHAIRMAN. The discussion between you gentlemen seems to be whether it will be an approximation or a guess.

It is now time for adjournment and we will meet again to-morrow morning at 10.30 o'clock.

Thereupon, at 5.30 o'clock p. m., the hearing was adjourned until 10.30 o'clock a. m., Friday, March 28, 1913.

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## FRIDAY, MARCH 28, 1913.

COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The hearing was resumed, according to adjournment, at 10.30 o'clock a. m.

Present: Senator Jonathan Bourne, jr. (chairman), and Senator John W. Weeks.

The CHAIRMAN. I had expected that General Stewart and Mr. McBride, as representing the Post Office Department, would be present at both the hearings held yesterday and to-day, but because of the awful catastrophe of floods and tornadoes in the Middle West it was impossible for them to leave their office because of the duties devolved upon them in endeavoring to handle the mail or route mail in accordance with the changed conditions incident to the catastrophe. The committee realizes the desirability of having representatives of all parties at interest present at the hearings of this kind, and will furnish the departmental representatives later an opportunity of giving comments upon testimony submitted yesterday and testimony to be submitted to-day by representatives of the railroads and Mr. Lorenz as associate statistician for the Interstate Commerce Commission.

For the purpose of expediting the hearing and getting a better interchange of ideas by initiating a running debate between the parties at interest here, I suggest and will request you gentlemen who wish to express your views in the study to-day to be sworn.

Thereupon the following were duly sworn by the chairman: Mr. Ralph Peters, chairman of the railway mail committee; Mr. V. J. Bradley, general supervisor of mail traffic of the Pennsylvania Railroad system; Mr. W. W. Safford, general mail and express agent, Seaboard Air Line Railway; Mr. Russell H. Snead, manager of express traffic of the Chesapeake & Ohio Railway Co.

The CHAIRMAN. Gentlemen, I will read a memorandum in the nature of a suggestion submitted to me by Mr. Lorenz, the associate statistician of the Interstate Commerce Commission, presenting views or thought for consideration, and I would like to take them up for discussion.

POSSIBLE PLAN FOR RAILWAY MAIL PAY LEGISLATION.

1. It is inexpedient to have the Post Office Department determine the cost and apply that cost to each case, because that might do injustice in many cases where there is something peculiar or abnormal about the average cost. The cost results should have weight, but not in an inflexible way.
2. It is at present inexpedient to turn the whole matter over to the Interstate Commerce Commission because its annual report form has not yet been suitably developed.
3. From the compilation of cost data by the Post Office Department, as given in Document 105 and from a comparison of car-mile earnings, the committee may form a judgment that the railways are underpaid and about how much additional they should receive.
4. From the preceding a judgment can be formed as to the fair amount which, on an average, for the country as a whole, a car-foot mile should earn.
5. The committee then could prepare a table showing for each of the 795 roads for which the Post Office has contracts such facts as the following: The passenger-train density, mail density, passenger-train car-mile revenue, cost as determined by the Post Office Department, etc.
6. Then they could say and actually state in the law what would be a fair rate to pay per car-foot mile for each of these roads, having taken into account the factors mentioned under paragraph 5. The roads could be given a chance to point out injustices, as could also the Post Office Department.
7. This rate is to remain in force five years.
8. The Interstate Commerce Commission shall be directed to modify its annual report form so as to yield the best possible information regarding the cost of carrying the mails.
9. As soon as practicable the commission shall report to Congress a comparison of the rates prescribed in the law with the cost as determined from the improved annual report form.

Those are concrete suggestions emanating from an individual and I think this a very valuable way of proceeding in this study, of not making criticisms but making suggestions as they occur to the different individuals interested in the subject and then taking them up and discussing them either in informal hearings or in a formal hearing like the present. This, as I understand, in no way represents the opinion or views of the Interstate Commerce Commission but represents ideas that have come to Mr. Lorenz in a few weeks' study and close attention which he has given this subject. Mr. Lorenz has been in conference with the committee nearly every day and with the representatives of the Post Office Department and with some of the representatives of the railway mail-pay committee. Taking these nine suggestions, Mr. Worthington, and looking them over, what comments would you have to make regarding each one?

Mr. WORTHINGTON. Well, I think without doubt Mr. Lorenz in preparing these suggestions has aimed to be fair, but I think there is a very serious objection to the third one.

The CHAIRMAN. Let us take them up seriatim. What do you say of suggestion No. 1?

Mr. WORTHINGTON. I think that is correct; that it is inexpedient to have the Post Office Department determine the cost.

The CHAIRMAN. You concur in that?

Mr. WORTHINGTON. I concur as to the first suggestion. The second one, if the commission is to take into consideration the matter of cost, I would very much prefer that they would consider a compilation made by authority of the Interstate Commerce Commission rather than one made by the Postmaster General, which can hardly be regarded except as biased, in my opinion.

The CHAIRMAN. By the "commission" you mean the joint congressional committee?

Mr. WORTHINGTON. The joint congressional commission; yes, sir.

As to the third suggestion, I think it would be unfair to the railroads for this commission to reach their conclusion as to the rate of compensation for mails from the evidence contained in Document 105. I do not see any reason why they should give any greater weight to that separation of expenses, as to freight, passenger, and mail, than they should to that made by the railroads. In other words, this means that they shall give no consideration at all to the figures considered by the railroad.

Mr. LORENZ. Perhaps you misunderstood me there. I mean from the data contained in Document 105, rather than necessarily the interpretation put upon this data by the Post Office Department.

Mr. WORTHINGTON. It says:

From the compilation of cost data from the Post Office Department as given in Document 105.

Mr. LORENZ. I did not state just what I meant. I assumed that the interpretations put upon that data would be subject to argument.

Mr. WORTHINGTON. I think the cost data in Document 105 is so wholly unreliable it can not be used in fixing mail rates, and I think that has been demonstrated by the evidence we have put in.

Mr. LORENZ. Perhaps the Post Office Department would welcome that view, inasmuch as that document seems to demonstrate the fact that the railways are underpaid.

Mr. WORTHINGTON. I do not think this commission ought to be guided entirely by the Post Office Department.

The CHAIRMAN. In that connection, taking the whole of the nine suggestions made there by Mr. Lorenz, such impression as you have indicated was not left on my mind at all. On the contrary, as Mr. Lorenz has stated, his idea was simply to take the information which was submitted by the railroad companies as presented, in part at least, in Document 105.

Mr. WORTHINGTON. If Mr. Lorenz would amend his suggestion by including in the consideration the cost data submitted by the railroads, I should think it would be all right, and not as amended by the Post Office Department.

Mr. LORENZ. Certainly; that would be the idea.

Mr. PETERS. If Mr. Lorenz would add one other section there as helping you in the study of this question, the rule adopted by the Post Office Department in fixing the allotment of space on the trains——

Mr. WORTHINGTON. I think that is very important.

Mr. PETERS. We differ in our conclusions on the information submitted in Document 105, because we did not know the method adopted by them in assorting that space after we had reported it. We allotted the space to the best of our knowledge and belief based on the facts.

The CHAIRMAN. Based on your experience and according to the custom usually used in your operation.

Mr. PETERS. Our observation of how the mails were handled. When that space went in the department took hard and fast rules, were allowing us to have only a 40-foot car, yet they were using a

60-foot car and they were paying for 40, 50, or 60. We counted in the entire size of the car. To make any sort of comparison we should have the rules that govern them or must have a statement of the space that they are allowed for each of the routes. Then we can make a comparison between the space that they allow, how they got their space in comparison with the space that we counted.

Mr. LORENZ. Undoubtedly those different interpretations should be considered and not be ignored by simply taking the result of the Post Office Department. I agree with you thoroughly.

Mr. PETERS. I think that suggestion ought to go in as one of the vital features in this discussion.

Mr. SNEAD. There is one thing that occurs to me, and that is, Document 105 was the first compilation of the Post Office Department. It was also the first report rendered by the railroads under the particular forms furnished by the department and I never saw a change yet in which the first reports were of any particular value. I would not base any conclusions upon the first reports that were rendered by anybody. They are unfamiliar with the forms, everyone does not construe the construction alike, and as you no doubt know by your own experience it is not the proper way. When I was with the commission, the first reports we received for almost any class of carriage were totally worthless for the purpose of compilation. The post-office employees themselves would differ about it. It took some ruling to settle those things and undoubtedly the same question came up in the carriers' office here, and no representative would construe instruction on any form in one way, and would fill it out accordingly. Another would construe it in possibly an entirely different manner. This is a vital matter, and I do not think any conclusion based upon the methods developed in this one document would be very good for anybody.

Mr. WORTHINGTON. Is it not a fact that since November, 1909, there have been further reductions in mail pay on account of the divisor in some of the routes. In other words, they were not in effect on all of the railroads at the time, November, 1909, so that to-day the mail pay is really less per car-foot mile than is shown in that document.

Mr. SNEAD. Because other roads in these sections are coming in under the divisor law.

Mr. WORTHINGTON. So it really ought to be essential to make a new compilation up to the present time. The R. P. O. car pay has been decreased 25 per cent on our lines within the last year.

Mr. SAFFORD. The railroads are not able, for a number of reasons, to withdraw those cars. The department cuts out the space and the allowance for space, but we will have to operate the car because we are not able to take it out of the train at the point where they cut off our pay. For instance, they are operating 70-foot cars from Washington to Jacksonville.

The CHAIRMAN. On the Seaboard Air Line?

Mr. SAFFORD. On the Seaboard Air Line; and we only get pay for those cars to Hamlet. In other words, we are operating those cars over our own track 640 miles, approximately, and we are getting pay for them for only 258 miles.

The CHAIRMAN. The reason being what?

Mr. SAFFORD. The Postmaster General determined in his judgment what was necessary to pay for that car space, and decided that the service could be performed in a 30-foot car south of Hamlet. As a matter of fact, we could not withdraw the car, so they are still getting the space in the service from us and our space stops for 384 miles this side of the operating run of the car.

The CHAIRMAN. You operate what distance?

Mr. SAFFORD. Six hundred and forty-odd miles.

The CHAIRMAN. You get pay for how many miles?

Mr. SAFFORD. Two hundred and fifty-eight; and for operating reasons it is absolutely impossible for us to withdraw that car at the end of the 258 miles.

The CHAIRMAN. Do you carry mail all of the 640 miles?

Mr. SAFFORD. The whole way—mail and clerks.

The CHAIRMAN. And you only receive pay for carrying the mail 258 miles?

Mr. SAFFORD. That is all.

The CHAIRMAN. The reason being what, as presented by the department?

Mr. SAFFORD. They could perform the necessary distribution for the last 384 miles of this route in a 30-foot apartment car.

The CHAIRMAN. But they do perform the necessary distributions for the whole 640 miles in the car that you furnish?

Mr. SAFFORD. Absolutely; yes, sir.

The CHAIRMAN. They call for a car for 258 miles of the size you furnish them?

Mr. SAFFORD. We furnish them 10 feet more than they ask for.

The CHAIRMAN. What do they ask for?

Mr. SAFFORD. Sixty feet. That is the maximum authorization, the maximum length of car provided for in the law, at the present.

The CHAIRMAN. They ask for a 60-foot car for 258 miles?

Mr. SAFFORD. Yes, sir.

The CHAIRMAN. And for the remaining 384 miles they pay for only 30 feet?

Mr. SAFFORD. That is all they say they need for the purpose of their distribution. At the same time it would be impossible for them to transmit the mail in the 30-foot car. They can not carry their working mail for local delivery in a 30-foot car.

The CHAIRMAN. That is for the 384 miles for which they only ask for 30 feet?

Mr. SAFFORD. Yes, sir.

The CHAIRMAN. You say if it were possible to transfer at the end of 258 miles for which they call for a 60-foot car, the mail remaining in that car at the end of 258 miles, into a 30-foot car, that 30-foot car would not contain the mail thus transferred and enable the postal department to work the mail on the 384 miles remaining of the 640-mile route.

Mr. SAFFORD. Absolutely not, in my judgment, after careful inspection of the circumstances.

The CHAIRMAN. Have you presented that view to the Post Office Department?

Mr. SAFFORD. Yes, sir.

The CHAIRMAN. What reply have you received?

Mr. SAFFORD. There has not been any reply. As I understand, the two division superintendents are riding up and down the road to find out whether or not the conditions can be taken care of under the present authorization.

Mr. PETERS. Senator, Mr. Albright in his testimony called attention to pretty nearly the same situation on the Coast Line where they were handling mail into Jacksonville they have to run those cars through from Washington to Jacksonville, but the pay for the car ceases several hundred miles east of Jacksonville. It ceases, I think, at Fayetteville, N. C. The department ruled that mail should be handled in a 30-foot car. To stop those trains in the middle of the run, cut out the postal car, substitute an apartment car and transfer mail means a great delay and at the same time they would not have a car that would accommodate the mails. That was the result of an overzealous effort to reduce the expenses of the department, and I think they realized they carried it too far, and I think those are things that they will correct. I have seen a statement to the effect that on the Chesapeake & Ohio there are several rulings where a through car from Washington to Cincinnati is rated as a 60-foot car on one end of the line and a 40-foot car on the other end of the line and a 30-foot car on the other end, yet the same car runs through.

The CHAIRMAN. All of you gentlemen representing the railroad companies, I assume, must concede that the departmental representative has got to be the individual who will determine the amount of space that the Government requires to transport the mail, and that the Government should only pay for such service as is requested by the governmental representatives. I assume from the testimony that we have had that it is your contention that the facilities that the railroad company itself possesses should be a factor in considering the compensation received?

Mr. PETERS. And in the facilities that we originally furnish at the request of the Government and subsequently curtailed by the Government without any ability on the part of the railroad to curtail it.

The CHAIRMAN. Would you hold, if the Government had made a requisition on a railroad for cars under the present or any other modified system, that the Government would be bound, or should be bound, either legally or ethically, to continue rendering compensation to the railroads for those cars even after they were not used by the Government in the transportation of mails because of a changed condition?

Mr. PETERS. Oh, no.

Mr. WORTHINGTON. I think in practice the volume of mail is generally increasing all the time rather than decreasing, and after a car has once been provided at the request of the Government on a route the volume of mail in that route as a rule does not diminish, and if the Government owned those cars themselves and the railroads ran them it is not very likely the Government would cast them aside and build new cars for the purpose of cutting down the space, say, 10 feet.

The CHAIRMAN. No. If the Government owned the cars they would simply transfer them to the other routes to which the mail is diverted, but if the railroad owned the cars, as they do to-day, and the Government pays them a compensation for the use of them, you mean that the Government should continue that compensation,

assuming that the life of the car, as I understood you to state in your testimony of yesterday, was practically 30 years or a little over, if the Government only used those cars 10 years, that they should continue to pay for the whole 30 years?

Mr. WORTHINGTON. Not at all. But I think they should be handled within reasonable limits. There should not be an arbitrary 10 feet of space cut off of that car pay when there is not any change of density on the route after the car has once been requested, but I think in most cases that has been done. It has not been due to any diversion of traffic from one route to the other.

The CHAIRMAN. Suppose a railroad discontinued the fast-mail trains and because of that discontinuance there is a large amount of mail matter that has to be taken care of by other roads, and that mail is diverted to the other roads. There is a change in your density of traffic.

Mr. WORTHINGTON. I think you are entirely right, but that is a different condition.

The CHAIRMAN. These conditions are liable to be changed. You just take the risk on the assumption that the mail is going to steadily increase and you believe that the efficiency of your service will result in the continuance of your getting your portion of the mail and your proportion of the accumulation incident to the development of the country. Now, the Government should not pay that. That is a risk that you take in your business. That is a risk that the individual management takes and there should be no compensation for that from the Government.

Mr. PETERS. That is very true, but there is no pay allowed for apartment cars, and in the effort to bring about economy they order in a 30-foot apartment car that they do not pay for, which results in the railroad having to continue the 60-foot car and count it as a 30-foot car and get no pay for it.

The CHAIRMAN. Then, without any reflection on any individual representative of the Government, I assume Mr. Safford's concrete illustration here on the Seaboard Air Line brings him to the conclusion of the possibility of a governmental representative taking advantage of a situation in the interest of economy of the management of the department under his administration.

Mr. PETERS. Which should always be done.

The CHAIRMAN. With no recourse on the part of the railroads.

Mr. PETERS. The department should always take advantage of every opportunity to reach economy, but they should have due regard to the service and to what is just to the other party to the contract. Now, it is impossible to stop these through trains, shift our cars, substitute others, and transfer the mail and not cause a great delay. If only a 30-foot car is needed on a part of the line, the Government should pay for a 30-foot car, but if they need a 60-foot car on the other part of the run they should pay for the 60-foot car and let the car go then on the continuous run.

The CHAIRMAN. Now, in that connection, the relief which you gentlemen have practically unanimously claimed you are entitled to is compensation for apartment cars. How would such legislation cure the concrete illustration Mr. Safford has mentioned?

Mr. SAFFORD. We would have a very distinct remedial influence.

The CHAIRMAN. Would you operate your 30-foot car?

Mr. SAFFORD. I would have to.

The CHAIRMAN. Sixty feet of which was required for 258 miles and only 30 feet, according to the department's estimate, required for 348 miles. You would get the compensation for your 30 feet for 384 miles and your compensation for the 60 feet for the 258 miles, but you would be operating your 70-foot car for the whole of the 640 miles. Now, where does your relief come, other than getting compensation for the 30 feet for 384 miles?

Mr. SAFFORD. There would be just that much inclination to discontinue or to change the pay; that is to say, if they knew that they had to pay for 30 feet anyhow, there would probably be less inclination to discontinue this 60-foot authorization. Now, Senator, I would like to put in the record, then, there is no difference of opinion, in my mind, in regard to this thing with regard to the department. I do not want to appear in any sense antagonistic to a proper administration of the Railway Mail Service, for we are interested in that; that is a partnership business, and, after all, it is not solely a question between the railroads and the Post Office Department, but it is the larger question which you represent—the service that is rendered to the people—and anything that impairs our schedule or impairs the efficiency of the mail service defeats the primary purpose for which the post office was provided in the Constitution. The service for the people is the primary object of the Post Office Department—the intercommunication. I do not believe that the Post Office Department should pay for car space under the present law for any greater length of mileage than their requirements demand. If they can on this last 384 miles of service give the people the service they are entitled to and conduct their operations in the 30 feet of space, I would not find any fault. It is not the question simply of operating with us. The department should not pay for any more service than the proper operation of the postal service requires.

The CHAIRMAN. Then, your sole contention, under the concrete illustration you have given us, is that you should receive compensation for the 30 feet for the sorting and distribution of the mail for which, under the present law, you receive no compensation?

Mr. SAFFORD. Not entirely; because if they require more than 30 feet they ought to pay for it. I would not make the contention in this case or any other unless I felt satisfied that the requirements of the service demanded it.

The CHAIRMAN. But the departmental representatives themselves have to determine first the service required, and the responsibility is with them.

Mr. SAFFORD. Yes, sir; but the loss is with us.

The CHAIRMAN. The loss would not be with you if they used more than the 30 feet. If you had a 30-foot car to put on there, and it was found that they did not take and work the mail or could not carry the mail in that 30-foot car, then the responsibility would be with them, would it not?

Mr. SAFFORD. Yes.

The CHAIRMAN. And they would have to ask for more space. The fact that you have not a 30-foot car in your equipment to make that exchange at the end of the 238 miles, for which they call for 60 feet, is not a reason why the Government should pay for that.

Mr. SAFFORD. We have a 30-foot car.

The CHAIRMAN. Why do you not put it on?

Mr. SAFFORD. Because we can not do it without destroying our schedule, because it would involve a delay of possibly from 45 minutes to one hour and a half to make the transfer. They transfer at this point as high as 20,000 pounds of mail.

The CHAIRMAN. You have the election, then, of that transfer. You decide that because of your other service it would be impracticable or undesirable for you to make that transfer. It is you who determines that and not the department. Why should the department pay for it, or, rather, the Government?

Mr. SAFFORD. I do not contend that they should pay for it unless they need it or unless they use it, but unless we made that transfer we would operate the whole car. If we put a 30-foot apartment car in there we would have to use the baggage end of it to carry storage mail and the apartment car end of it to work the mail and I doubt very much whether it would work. But here is the point: The mail pay represents approximately 8 per cent of our passenger train revenue. Now, we have to resort to inconvenience and it would seriously impair 92 per cent of the passenger train service in order to take care of a burdensome operating proposition connected with the 8 per cent.

The CHAIRMAN. Consequently you elect to lose the earning power of the 30 or 40 feet of space on which you receive no return because you do not want to inconvenience 92 per cent of your business.

Mr. SAFFORD. We have to. It is practically a compulsory proposition.

The CHAIRMAN. But it is elective with you?

Mr. SAFFORD. We do not consider that we have a choice. We have to serve the public.

The CHAIRMAN. But you take the choice. You choose to take and run that 70-foot car, for which you receive compensation for only 60 feet a portion of the way and 30 feet for the balance of the way and your balance for the 30 feet is simply the railway mail pay that you receive for the weight carried in that 30 feet without any R. P. O. car pay because of the present law. That is true?

Mr. SAFFORD. That is true, but we do not feel that we have any choice. That is just the condition.

The CHAIRMAN. You do have the choice because you say—pardon me, for I do not want to contradict you—you have a 30-foot car but you do not choose to make the transfer because you do not want to delay or change your time schedule 45 minutes.

Mr. SAFFORD. From our point of view, Senator, it is simply an operating proposition, and we consequently are forced to the continued operation of that car, and I want to repeat that I would not raise the question now if I believed that the service could be properly conducted, if we could conduct our operations consistently with the Post Office Department's authorization of space.

The CHAIRMAN. Do you believe that the Government should pay for the additional cost of all service in the delay incident or resulting from stopping the train to put on or take off mail, from slowing down the train in order to take the mail from the mail cranes along the route? Do you think those factors should be taken into con-

sideration in the determination as to the rates that shall be paid the transportation companies handling mail?

Mr. SAFFORD. I think any difficulty of operation or impairment of service incident to the conduct of the mail service ought to be given due consideration in fixing any rate of mail pay.

The CHAIRMAN. But there should not be a specific pay because of the interference with the service; you should not say that the interference with the service should be considered in making up what the general pay shall be and the factors in that as to the liberality, if you please, or justice from your viewpoint, that the Government arbitrarily within certain limitations fixes your compensation?

Mr. SAFFORD. I think so, sir, and I think the variations are so great that it would be impossible for anybody to anticipate all of them. I think it should be given general consideration.

Mr. WORTHINGTON. I would like to ask Mr. Safford if it is not a very important element in that question whether if a delay of an hour to the mail is an important consideration and one that would impair the service to the public to that extent?

Mr. SAFFORD. Certainly. It impairs connection and probably would, in some instances, result in the loss of a whole business day to the public.

Mr. WORTHINGTON. In other words, your mails would arrive at destination that much later?

Mr. SAFFORD. Yes; and possibly not make connections.

Mr. WORTHINGTON. That is worth something to the department?

Mr. SAFFORD. It is worth a great deal to the department.

The CHAIRMAN. But it is wholly intangible.

Mr. WORTHINGTON. The point is rather lost sight of in that since November, 1909, when the department prescribed these statistics, there had been quite a material reduction in the railway mail pay, due to the fact that the divisor was not in effect all over the country in November, 1909. The divisor, as you know, made quite a difference in rates per car-foot.

The CHAIRMAN. Because the weighing had not taken place.

Mr. WORTHINGTON. Had not taken effect all over the country.

The CHAIRMAN. The question of the divisor of 7, instead of 6, was in effect——

Mr. WORTHINGTON. It took four years to get it in, and it seems to me we ought to have statistics up to date or revise these statistics on the basis of the new divisor. It makes quite a difference in the earnings per car-foot-mile for mail.

Mr. SAFFORD. There is another factor—the factor of cost. The cost of labor alone has been increased greatly.

The CHAIRMAN. Those facts were clearly brought out by Mr. Worthington yesterday in submitting the cost on behalf of the Southern Pacific.

Mr. PETERS. On the Seaboard Air Line alone their wages have increased a million dollars a year, and it is practically on the same ratio with every railroad. There it would be a difficult matter to get a correct conclusion from the figures contained in Document 105. That is why I suggested once before, even though it cost a lot of money to make other compilations of the cost of the figures, in the light of the experience we have had in the past, we should take it over again. I do not think the railroads would object. They want

to get at the actual facts, and the compilations could be under the supervision of Mr. Lorenz or under the supervision of the Interstate Commerce Commission.

The CHAIRMAN. I doubt if the Government would be justified in going to an expenditure of $20,000, even if the railroads then were willing to go to an expenditure of a quarter of a million dollars to get another month's compilation or computation of information and data. I do not see where that additional information would be worth that much to the Government in elucidating this study. What do you think of that particular phase, Mr. Lorenz?

Mr. LORENZ. I think that all attainable information along this line would be of assistance.

The CHAIRMAN. Answer, if you will, kindly, specifically that question, whether you think the Government, assuming that the railroads were willing to go to an expense of a quarter of a million dollars to collate more information and data for another month, now would be justified in going to an expenditure of $20,000 for the compilation and tabulation of that data when received. Is that going to furnish the key to this problem?

Mr. LORENZ. I think it would not furnish the key. It would help solely on the single question of whether the railroads were overpaid or underpaid. It would not solve the problem of the manner in which they are to be paid.

The CHAIRMAN. You say it would help. It would simply help this way, to my mind: In getting the relative percentage of revenue as between mail pay and the passenger pay. It would not elucidate in any manner the problem as to whether the railroads were entitled to the same or less pay for mail than they are for passenger service.

Mr. LORENZ. In addition to what you say, it would elucidate the question of whether they were getting more than it cost them.

The CHAIRMAN. Would it, if they have not got the accounts and everything to determine what it is costing them—and all the evidence submitted to the committee from every source has been the fact that they do not know what the cost is. I think it was pretty generally agreed, if I correctly understand the various opinions, it was absolutely impossible to ever obtain knowledge actually as to what the cost is.

Mr. LORENZ. I do not agree that it is impossible to obtain the actual knowledge. I would say that it was impossible to obtain a specific minute determination, but that it would be possible to state that the cost is between certain limits.

Mr. PETERS. An approximate fair estimate of the cost can be obtained by keeping the record and compiling the cost for a month. It would be the cost for that month and it would give you a fairly accurate approximation on which to base conclusions. A month is only an indication, but a month this year would be entirely different from what a month was in 1909, conditions having changed very materially since then.

Mr. WORTHINGTON. As I remember the ratio of operating expense in 1909, it was quite low, and now it is quite high. That would make a difference on the net earnings.

Mr. LORENZ. It is certainly dangerous to base conclusions on the result of one month. That is the reason that I have suggested that before, that any final and authoritative conclusion based upon cost.

that such cost data be obtained by annual compilations obtained according to fixed rules and well thrashed out rules. In other words, that at the present time it perhaps is inexpedient to give too much weight to such cost calculations.

Mr. WORTHINGTON. Do you think the commission, from the data furnished in November, 1909, could fix rates based on cost which would be fair if applied to present conditions?

The CHAIRMAN. By "commission" you mean the congressional commission or the Interstate Commerce Commission?

Mr. WORTHINGTON. The congressional commission.

Mr. LORENZ. I do not think they could fix them by taking into account solely those cost results, but the information which the department has might be of use and might be considered along with other questions of fact regarding each railroad.

Mr. WORTHINGTON. In other words, they could not comply with the requirements of the last suggestion to base the rates on cost, plus 6 per cent with interest on investment, without first obtaining additional data as to what the present costs are. Is that the idea? They have not the data available at the present time to do that.

Senator WEEKS. Let me ask Mr. Lorenz this question: Suppose Congress asked the Interstate Commerce Commission what rate it should pay the Southern Pacific Railroad for transporting the mails; how would the Interstate Commerce Commission proceed to get the information in order to furnish it to Congress?

Mr. LORENZ. My own opinion is all that I can express as to how they would proceed, but I think they would doubtless proceed by calling for such data as would be necessary to make an estimate of the cost of the service.

The CHAIRMAN. After determining what that data was, in order to determine it they first determine in their own minds as to what information it was necessary for them to find out, and then they would request that information. How long would it take for the Interstate Commerce Commission to come to a conclusion? It would take quite a long time before they could get the necessary information on which to make a scientific determination, would it not?

Mr. LORENZ. It might take considerable time, in view of the fact that the accounting prescribed by the commission has not been shaped to that end.

The CHAIRMAN. Then it would take the railroads a long time to get the information to conform to the new system of accounting?

Mr. LORENZ. Yes, sir.

The CHAIRMAN. Now let us look at this viewpoint. Taking Mr. Peters's suggestion and Mr. Lorenz's opinion as here expressed, suppose the suggestion is acted on, the railroad secured full information based on the questions asked in 1909 by the Post Office Department, so as to get the comparison between the two months—November, 1909, and July, 1913. Do you imagine that the submission of that information to your own representatives and to the postal representatives would bring you any closer as between your 3.23 mills and your 4.16 mills, the 3.23 mills being your opinion as to the revenue you were receiving per car-mile and the 4.16 mills being the opinion that the postal representatives claim you were receiving per car-mile? Would there not be exactly the same differences between you

in the allotment of dead space and other factors, accounting for that difference in deduction?

Mr. PETERS. My suggestion, Mr. Chairman, was that you should, in determining this, also prescribe the method for the allotment of space. Have that determined in advance, so that the records could be kept accordingly, and not allot your space after the reports have been made.

Mr. SNEAD. There is a hinging point right there. Somebody has to settle the dead-space question.

The CHAIRMAN. To my mind it would be wasteful of your money and the Government's money to proceed along and get another lot of information, and then make your tabulations, until you determined in advance what allotments were to be made under given information.

Mr. PETERS. I suggested those points because Mr. Lorenz's thoughts and ideas as set forth in the memorandum as to how to proceed in this matter were based on the consideration of the information furnished through Document 105, and I said that we all felt that that information was so unreliable to this extent: That it was a new method, possibly crude in many ways, so faulty in its execution, and it certainly was faulty in its deductions, and the allotment of the space was determined after we had reported the facts, and we do not know now on what basis the departmental representatives allotted the space that was reported, and we have not been able to get the department's committee and our committee to make an agreed statement of facts as to the conditions in the allotment, or recommendation as to how to apportion that disputed space.

The CHAIRMAN. You succeeded in getting a letter signed by six representatives?

Mr. PETERS. We got a letter signed, taking the space as originally reported, before it was allotted. The department confirmed the figures that we did—we made it 3.23 and they made it 3.37 as the revenue per car-foot-mile for the mail. I do not think it is of any use to go to all that expense. I still feel that the basis of pay for the mail is the weight basis, but you asked us to consider these points suggested by Mr. Lorenz, and I say to consider these fairly and properly you must have absolutely correct data, and you do not have it in Document 105.

The CHAIRMAN. Would it not be well to qualify that statement, Mr. Peters? That is an inferential reflection, it seems to me, on you gentlemen, and also on the department when you say we do not have correct data in Document 105. Would it not be well to qualify that, and say that you do not have complete data in Document 105?

Mr. PETERS. I will be very glad to correct my statement to that effect.

The CHAIRMAN. Would not that be better expressed in that way, what you have in mind?

Mr. PETERS. Yes.

Mr. WORTHINGTON. I think it is unfortunate the railroads' figures were never printed by the department and set against their own.

Mr. PETERS. We asked you originally that Congress call for all of these figures and submit them to the Interstate Commerce Commission, and take the deductions the department has made, and give us from impartial sources the correct analysis of those figures, but that

means money and time, yet it is water over the dam. That was the condition in 1909. This is 1913, and conditions have absolutely changed as to cost. They have all gone up.

The CHAIRMAN. Conditions will continue to change as to cost.

Mr. PETERS. Yes; they will change all the time.

Mr. WORTHINGTON. We were at a disadvantage in 1909 in House Document No. 105 statistics, because we had the old divisor in effect on our lines. The eastern roads had the new divisor, so the results were compared on the basis of the old divisor, while other roads have the new divisor, because at that time the new divisor was not in effect throughout the country.

The CHAIRMAN. By "we" you mean the Southern Pacific Railroad?

Mr. WORTHINGTON. Yes.

The CHAIRMAN. Now, to return to the tentative suggestion of Mr. Lorenz, what would you say in reference to suggestion No. 1?

Mr. WORTHINGTON. Is not that covered by suggestion 3? I understand Mr. Lorenz has modified his suggestion as to No. 3 by stating that the statistics presented by the railroad should also be taken into consideration, as well as the changes in conditions which have taken place since November, 1909, as to the increased cost in operating railroads, and the effect of the new divisors in the sections of the country where it was not in effect in November, 1909. Is not that correct?

Mr. LORENZ. Certainly all factors you could bring together for the avaliable use of the committee should be considered.

Mr. WORTHINGTON. I think if the congressional committee had all these factors available, it could determine their amount on an average for the mail as a whole, that a car-foot mile should earn to equal the cost as they determine it with that information.

The CHAIRMAN. How about No. 5?

Mr. WORTHINGTON. Of course, if they had available the data, they could prepare information of that kind, although I, personally, do not see any particular connection between train density and the cost of handling the mail. If there is to be a classification, as I presume Mr. Lorenz indicates from that, I would prefer a geographic grouping of roads, rather than a grouping based on density, because you would not know where to start in or leave off on a grouping as to density. You would not know where your classification would go, where your rate would change, by what density it would be changed, for example; and the operating costs of railroads are controlled principally by grouping conditions and by cost of labor and material, and they differ in different sections of the country.

Senator WEEKS. Are there not many cases where twice as many trains are run on one road as on another operating in the same territory, and would not that have some effect on the cost?

Mr. WORTHINGTON. Some roads have a large passenger-train density, and perhaps a total less density than other roads for freight carriage, for example.

Senator WEEKS. What have other trains to do with it?

Mr. WORTHINGTON. They have a great deal to do with the cost of maintenance of way. If you have 100 trains, and 90 of those are freight trains and 10 are passenger trains, you have as many trains to take care of as if the conditions were reversed.

Mr. LORENZ. My idea was that all railway statistics that would be pertinent showing the nature of the operations would be included in that "and so forth."

Mr. WORTHINGTON. There would be no objection if the commission wished to collect that data. I see no objections to their doing that. Do you, Mr. Peters, see any objection, if the commission wants to collect all these data for the different lines? Would you see any objection to that?

Mr. PETERS. No; I would not. Collect all the information possible that will throw any light on the subject. The thought that was running through my mind was whether it would be possible for the department, from its records, to show the amount of space allotted to each mail route to-day, and then let us make a tabulation of the 795 lines and the allotment of space to each one of those, and take an arbitrary of so much per car-foot mile for each road that we think fair, and make the calculation, and see what it would amount to as compared to the present time.

Mr. LORENZ. Do you not think that would be quite pertinent, and should be done along with these other tabulations? My idea was that all that was suggested there could be obtained from the existing records filed with the Interstate Commerce Commission and also with the Post Office Department.

Mr. WORTHINGTON. I think I would add to that also the general operating ratio of these different lines, because I notice in going over Document 105 some roads are given a very low ratio for mail expenses, which have at the same time a very high ratio for their general operating results, and it seems rather inconsistent. Suggestion No. 6 says:

> Then they could say and actually state in the law what would be a fair rate to pay per car foot-mile for each of these roads, having taken into account the factors mentioned under paragraph 5. The roads could be given a chance to point out injustices, as could also the Post Office Department.

I rather gather from the discussion it would be absolutely impossible for the commission to fix a rate based on cost without additional information.

The CHAIRMAN. You mean the congressional committee?

Mr. WORTHINGTON. Yes; to fix a rate based on cost without additional information showing the cost at the present time.

Mr. LORENZ. The idea was not to base it solely upon cost, but upon all these facts.

Mr. WORTHINGTON. Would that apply to a different rate on each road?

Mr. LORENZ. Exactly. The difficulties that we discussed yesterday of finding a satisfactory grouping of the roads, either geographically or by density, or some other basis, simply led me to think the simplest way out is to make 795 groups, and while it would take two or three weeks or a month more hard work on the part of the Postal Commission, it would in the end do more exact justice, for the reason that you would fix the rate that seemed just for each particular road.

Senator WEEKS. Would it not be possible that there might be 40 roads where this would be so nearly alike that the rate could be made the same on the 40 roads?

Mr. LORENZ. There would not have to be 795 rates, necessarily.

Mr. WORTHINGTON. Would these rates be maximum rates or minimum rates? Could the Post Office Department accept less than these rates if the roads offer to haul the mail for less, or would they have to take the mail at those rates?

Mr. LORENZ. My idea would be that the rate determined by the commission would be the only rate the Post Office Department could accept or pay.

Mr. WORTHINGTON. In other words, between New York and Chicago, if they determined the cost was different on the Pennsylvania Railroad from what it was on the New York Central, the road with the lowest rate would have an advantage under that scheme and in securing the mails, would it not?

Mr. LORENZ. No, sir; because the cost was not the only consideration, but this competitive condition which you mention would be another factor, and if they concluded it would be unwise to have two rates on roads, constituted as you have described, they then would simply make the same rate on those two roads.

Mr. WORTHINGTON. But, as I understand, the cost factor would be practically the determining consideration in fixing the rates.

Mr. LORENZ. Not necessarily; but it could be varied, and the rates could be made equal wherever it would seem to work satisfactorily.

Senator WEEKS. Where would be the injustice in a case like the one referred to by Mr. Worthington, to make it a competitive proposition?

Mr. LORENZ. That is to say, you could make both rates according to the lower cost if it could be done?

Mr. WORTHINGTON. If rates could be made, as I presume they ought properly to be made, between large centers, uniform and made on the basis of the lower cost, would that not have a tendency to lower the general average of mail rates throughout the country?

Mr. LORENZ. But if it did that and lowered it unduly the committee would have discovered that fact, because before it would put these rates into effect it would provide a table which would show the amount of pay which would accrue to each road according to the recent statistics of business done, and how that differed with the present pay, and so forth. In other words, they could revise their rates so that it would work out justly.

The CHAIRMAN. But your suggestion, according to item 7, is that the rate determined upon shall be in force five years.

Mr. LORENZ. Yes, sir; the idea is it would hardly be practicable for Congress to go through this work each year, and the injustice that might be done in the course of five years would not be corrected.

Mr. PETERS. That is a year longer than we suffer under now.

Mr. LORENZ. Please understand the amount paid would automatically increase with the amount of business.

Mr. PETERS. With the amount of space?

Mr. LORENZ. Yes.

Mr. PETERS. You are considering space alone in this and not weight?

Mr. WORTHINGTON. There is not much difference between this plan and the present one where that rate applies to density, whereas one might vary between commercial centers.

Senator WEEKS. The present rate is not a scientific rate at all, but it is an arbitrary one.

Mr. PETERS. It is a scientific one.

Mr. WORTHINGTON. The present rate brings the Government an advantage in securing a decrease in the ton mileage rate where tonnage grows, whereas it has been maintained here—I have not maintained it, but some of the others have—that there would not be any material increase in the weight per foot, but as the weights grow from now on additional space will have to be taken up. If that is so, there would not be any further gain to the Government, would there, as density grows, such as exists through the present system?

The CHAIRMAN. By substitution of space for weight?

Mr. LORENZ. On that matter of economies to be achieved from the fact that more can be loaded into a car, I think we should take into account the fact that of a total space to-day devoted to the mails a very large proportion of the space—perhaps on some roads 90 per cent and on other roads at least 75 per cent of the space—is for mail cars and apartment cars. and the storage space and closed-out space is a very small factor. So that the amount of the economy that can be achieved by increased loading has very decided limits.

Mr. WORTHINGTON. Whereas there is now a substantial economy on the heavy routes to the Government through the automatic revision in the rate per ton-mile regardless of how much space is used.

Mr. LORENZ. Yes, sir. And in that respect it seems to me payment on a space basis measures a little more closely the actual work performed by the railroad, and is therefore more just to the railroad.

Mr. WORTHINGTON. Do you think it would be as favorable to the Government as the existing rates on the different routes?

Mr. LORENZ. I think so.

Mr. SNEAD. Assuming, of course, that a fair rate per car foot-mile was started with.

Mr. WORTHINGTON. There is another point in making different rates on different roads, or different routes based on the lowest costs between two commercial centers, that I think I have referred to before, and that is a fact that the road which is efficient in its operations gets no advantage from that, and as it becomes more efficient the pay for carrying the mails would decrease, whereas if the reverse was the case it would increase if the rate is based on cost.

Mr. LORENZ. The question whether the lowest cost in a region should be taken, or the highest cost, or the average cost, is one of the things the committee could see for itself. The question has been up, I think, before the Interstate Commerce Commission. If I remember correctly, the opinions in the advanced-rate cases dealt to some extent with that question.

Mr. WORTHINGTON. There is still another question I would like to ask as to that. In fixing rates on a space basis the compensation for mails would be practically the percentage of the space which the mails occupy in proportion to the total space in the train, would it not?

Mr. LORENZ. Yes, sir.

Mr. WORTHINGTON. In other words, a railroad, such as a transcontinental line, which on account of the long haul has to take in more baggage, space for passengers, furnish more sleeping cars, and furnish for the convenience of the passengers more dining cars—in some cases observation cars—allows for its space for passengers very much more than roads with short hauls. In other words, there are

cases in this country where the average size of a passenger train is 6 cars and the average passenger trainload is about 60. There are other roads with an average-size train of 4 cars and an average load of 100. The space for passengers in one case is two and one-half times as great as in the other. On the roads that are furnishing these conveniences to passengers they would receive on that account less for handling mails than the other lines. In other words, if they could cut out their diner and make their passengers eat at eating stations they could raise their mail rate, or if they cut off their observation cars they could do the same, or if they decreased the number of passenger trains they run they could accomplish the same result. In other words, if they decrease the facilities they give the traveling public they would increase their mail compensation.

The CHAIRMAN. But would they do that when the mail compensation was less than 2 per cent of the total compensation?

Mr. WORTHINGTON. I was saying it hardly seems to me to be fair in principle—a rate that would have that effect. I think if the roads are grouped or regarded for the country as a whole they are not open to that objection, as it would be when you have so many different rates.

Mr. LORENZ. Why would not the same objection hold, so far as a matter of principle is concerned, whether you group them or not? One of your bases of determining a fair rate was the relative space required in passenger trains. In other words, you would have before you, instead of the statistics of one particular road, the statistics for that whole group of roads, and your reasoning would be the same.

Mr. WORTHINGTON. It would affect some lines to a less extent. I know in our territory we run very long passenger trains with a comparatively small passenger load, and we furnish a great deal of space per passenger. Part of that space is contributed by the Pullman Co., which builds the sleepers and maintains them without any cost to us, yet all that space is going in to reduce our mail pay.

Mr. LORENZ. I should say these are factors which might well be brought out in considering a great system like the Southern Pacific.

Mr. WORTHINGTON. I think if rates were made on this basis that nonrevenue cars in passenger trains ought to be left out of consideration altogether. Take dining cars, for instance; they bring in no revenue, and in fact they are sources of expense to the railroads. The same is true of an observation car, which we put on our trains simply in order that the passengers might look out of the rear of the train.

Mr. WEEKS. Is that universally true of dining cars?

Mr. WORTHINGTON. I think practically so. I think there are a very few lines which make a profit out of the dining cars. I think, taking the roads as a whole, there would be a loss. That is simply including the commissary expenses and the car repairs and excluding the cost of ownership.

Mr. LORENZ. But do not the peculiarities you mention regarding the particular systems simply shows how hopeless it is to find one rate or one simple formula for rates which will work out justly in every case?

Mr. WORTHINGTON. I am simply mentioning that a rate on the space basis does have that effect on certain roads, and that is an objection to it.

The CHAIRMAN. Now kindly take up question No. 7.

Mr. WORTHINGTON. Personally I do not see any objections to that if a rate is fixed based on space. If we had to have a rate of that sort, and the total compensation varies during the five years with the amount of space that is furnished, the only objection to that could be that there might be during that time an increase in the cost of operating railroads.

Mr. LORENZ. You notice the passenger fares do not change very much and probably will not change very much.

Mr. WORTHINGTON. Maybe some of the other gentlemen may have some suggestions on that point.

Mr. SNEAD. By extending this period to five years, assuming that the determinant factor is to be the cost of it, we should bear in mind the cost question never would be anything better than an approximation. In the event that an error was made in the approximation, you are perpetuating that error a good long period of time before we would have an opportunity to rectify it. If the cost feature is simply one element to be taken into consideration and not given undue weight, it is a different proposition. If it is to be a determinant factor, I think I see quite a decided objection to that five-year period.

Mr. WORTHINGTON. Personally I see no objections to the suggestion No. 8 if a rate of this sort should be put in on this basis.

The CHAIRMAN. That is taking the whole nine suggestions collectively?

Mr. WORTHINGTON. Yes; taking them all collectively. Suggestion 9 reads as follows:

9. As soon as practicable the commission shall report to Congress a comparison of the rates prescribed in the law with the cost as determined from the improved annual report form.

That is, the Interstate Commerce Commission shall report that?

Mr. LORENZ. Yes.

Mr. WORTHINGTON. I would not think that is objectionable.

Senator WEEKS. I want to ask Mr. Worthington a question. Suppose Congress authorizes the appointment of an official in the Post Office Department, call him a traffic manager or a director of posts, or whatever you like, and that it should be his business to arrange with railroad companies for the transportation of the mails and to fix the compensation for doing it, without any law whatever as to what the compensation should be, assuming, of course, if the railroad company and the traffic manager did not agree on a rate, that it should be referred to the Interstate Commerce Commission for adjustment. Now, having all that as an assumption and knowing, as you probably do, about what the compensation for a traffic man is, as paid by railroads, how much would the Government have to pay a competent man for that service?

Mr. WORTHINGTON. I do not think I would want to answer the question of salary, because I do not know.

Senator WEEKS. Well, what would it have to pay a competent man in order to secure his services for a term of years?

Mr. PETERS. $25,000 a year.

Mr. WORTHINGTON. At least that much; but it seems to me it is open to this objection: That there are a great many roads in the country that are not now handling the mails that would probably regard that traffic as in the light of additional traffic if they can

secure it from some of the trunk lines which are handling the mails, and for that reason they could rather feel that they could afford to offer terms better than the existing roads are handling the mails for; and, as to them, it would represent traffic on which at the present time they are earning nothing, and on additional traffic, if the railroad can obtain something above the bare cost of movement, there is a little something in the business to apply to their fixed expenses.

Senator WEEKS. Is not that a benefit to the Government?

Mr. WORTHINGTON. No; I do not think so, because I do not think these roads that would do that are the roads that would give the service as the present lines are giving. For example, there are a number of freight lines between New York and Chicago that are handling little mail. The Government has wisely given greater tonnage to the lines which are able to take it more expeditiously and give them better service, because they have a larger number of passenger trains, they have multiple tracks, and all the facilities for handling it promptly.

Senator WEEKS. But this director of posts would not be able to lessen the efficiency of the mail service, because there would immediately arise a complaint from the public and he would have to maintain the service on the roads which could perform it most efficiently.

Mr. WORTHINGTON. I do not think the roads which are handling the mails now would feel that they were able to perform the service at any less rate than they are doing it for at the present time. I do not believe they would offer any better terms.

Senator WEEKS. If they did not offer any better terms, or if an agreement could not be reached between the road and the traffic manager, is not the proper place for it to go to the Interstate Commerce Commission?

Mr. WORTHINGTON. You say the commission would determine the rate, or the road?

Senator WEEKS. I mean the road and the representative of the Post Office Department could agree on a rate, if possible, and if they do not agree on a rate the matter then goes to the Interstate Commerce Commission, which fixes the rate.

Mr. WORTHINGTON. There is an objection to that plan which just occurred to me; it is quite different from the plan that has been advocated and which takes into consideration the element of cost of service principally. You would be handling the mails entirely on a traffic basis the same as freight and passenger if it becomes a matter of a bargain between some officer of the Government and the railroad to take the mail at any rate that they may agree upon. I would prefer the present method to that.

Senator WEEKS. What is your objection to that method?

Mr. WORTHINGTON. One objection is that it leaves the rate to be fixed largely by an individual.

Senator WEEKS. Do you not think an individual apt to be more competent to fix rates than Congress?

Mr. WORTHINGTON. In a matter of this sort I would not think a single individual was.

Senator WEEKS. Why is this any different from any other class of traffic?

Mr. WORTHINGTON. Because this is a case of fixing rates on all of the railroads in the United States, and a man to do that ought to be familiar with all of the conditions on the different roads.

Senator WEEKS. All the railroads in the United States perform some kind of similar traffic; they all carry passengers.

Mr. WORTHINGTON. They all have their own traffic people, and the rates are different, of course, on the different roads. For example, in the western part of the country they are generally higher than they are in the East. I doubt whether the Government would reap any advantages under a plan of that sort. Of course, I could not say how it would work out.

Senator WEEKS. It is not a question of the Government reaping advantages necessarily, but it is a question of arriving at some method of adjusting these rates which would be fair to the Government and fair to the transportation companies. I think Senator Bourne would bear me out in saying that we are not here necessarily to find some cheaper way for the Government to transport the mail, but we are here for the purpose of adjusting this important question, which is one of controversy all the time and will be until it is scientifically adjusted.

The CHAIRMAN. Absolutely.

Mr. WORTHINGTON. Of course, I think it would be impossible to predict what would be the result under a plan of that sort. I could not predict it.

Senator WEEKS. Yet, of course, you or no one else could tell what the result would be.

Mr. WORTHINGTON. I would not wish to express a well-formed opinion because I have not considered it and I have not any idea what the result would be.

Senator WEEKS. I have gone into this enough to see how difficult it is to arrive at any fair basis, and in turning the whole question over in my mind I have not been able to work out, to my own satisfaction, why that is not the businesslike way to adjust it. I do not mean to say that is final, even with me, but it seems to me that that is a way of adjusting this service which ought to be satisfactory to the Government and to the transportation companies, and I want to have some railroad man or somebody point out to me why it is not fair and just and businesslike.

Mr. WORTHINGTON. The result would depend very largely on the personality of the individual.

Senator WEEKS. Every result depends on the personality of an individual.

Mr. WORTHINGTON. It is a tremendous responsibility to put in one man's hands, to adjust rates all over the country.

Mr. PETERS. I think it would be a most excellent thing.

Senator WEEKS. We could have three men, if we chose.

Mr. WORTHINGTON. No. You have the Interstate Commerce Commission to appeal to. Have your director of posts a permanent officer during good behavior.

Senator WEEKS. I am in favor of a director of posts, anyway.

Mr. PETERS. He can have a traffic man under him who can analyze and study the organization conditions, but have a director of posts make his contract with the railroads on a basis that is businesslike

and fair to pay a compensation for the service performed, and if they can not agree, then the Interstate Commerce Commission to settle between them. Now, that is the basis that is used in England. The postmaster general there makes his contracts with the railroads. The compensation is paid direct to each railroad. In the parcel post 55 per cent of the total receipts is paid into a pool and that is prorated by the board of trade according to the amount of traffic for each one, but I do think if the railroad has one traffic man—a business man in charge of the department—that we could make our contracts with, it would be a good thing.

The CHAIRMAN. You say if the railroads had one.

Mr. PETERS. I say if they had one man to deal with who was in charge of the affairs for the Government, you could manage this thing in a more businesslike way, especially if you have the appeal to the Interstate Commerce Commission.

Mr. WORTHINGTON. Is not that the situation to-day? They have one man to deal with—the Postmaster General?

Mr. PETERS. He is an appointed man for practically a short period.

Mr. WORTHINGTON. I would prefer leaving the determination to the Interstate Commission to leaving it to one man. They handle freight-rate questions and passenger-rate questions.

Mr. PETERS. They have to have an expert in charge of this business?

The CHAIRMAN. And if left to them the statistician would be the determining factor there.

Senator WEEKS. We have 100,000,000 to satisfy and the public to-day is satisfied with the work of the Interstate Commerce Commission, and I think the transportation lines are, too, and we must have a final court to go to which is satisfactory not only to the Government but to the public and the transportation lines as well.

Mr. PETERS. If the Government can get any benefit out of competition for the mail, they should have the opportunity to get it, but every road is going to have mail service to take care of—the local interests along its line. The proportion of the competitive service is not so large that a diversion of it would stop all the mail service on any railroad. There would be enough of it to enable one road to run through mail trains, while the other road would not.

Mr. WORTHINGTON. There is only one difficulty I foresee, and that is this: Where there is competition between centers, of course such a man could obtain quite reasonable rates; but where there is only one road to serve the territory, I do not see just how he could. It seems to me he would have to accept any rate that that road should offer.

Mr. PETERS. If he is not satisfied with the rate the road offers, he goes to the Interstate Commerce Commission and says the road has offered an unreasonable rate.

Senator WEEKS. Is not the real competition limited to lines from New York to Chicago and from Chicago to certain western points?

Mr. WORTHINGTON. Practically; yes. Between the large centers.

The CHAIRMAN. And further limited to the efficiency only?

Mr. WORTHINGTON. Of course, the railroads serve themselves, without competition, a very large area of the country through branch lines and locally.

Mr. SNEAD. The Government in that respect would be in the position of any other shipper. They would get the advantage of competitive rates between competitive points.

Mr. WORTHINGTON. They would get advantage of lower rates where there are competitive points, and they would get higher rates where there was no competition. It is a fact, however, that rates are lower to competitive points as to all classes of railroad traffic.

Senator WEEKS. What is your view of that, Mr. Bradley?

Mr. BRADLEY. Senator, that is a subject I would rather give thought to before giving an expression of opinion. As the discussion was proceeding, it seems to me, according to the present temper of the public mind and of the attitude of Congress as I see it by reading its proceedings, as though it were placing too much power in one individual. The thought occurs to me whether the point would not be illuminated by asking a counter question: Would the Congress be willing to impose upon that official the responsibility of fixing the rates of postage?

Senator WEEKS. It is comparatively a simple matter to fix the rates of postage. We base that on the fundamental principle that the same postage shall carry to every section of the United States. Of course, that is not businesslike, in a way, because there are places where it costs the Government a dollar to deliver a letter with a 2-cent stamp on it.

Mr. BRADLEY. As a businesslike arrangement of course it commends itself to have one well-informed manager deal with the transportation agency and make the best terms he could for the Government on a reasonable basis, subject to appeal to a judicial body. Yet in England when they adopted the parcel post they did not continue that method of bargaining between the postmaster general and the railroads, although there it is a comparatively small thing as compared with this country.

Senator WEEKS. The parcel post is merchandise. It is a different proposition from the ordinary mail service.

Mr. PETERS. It was treated as such in England, but not so here.

The CHAIRMAN. I beg your pardon. It is in a way so here, from the fact that the zone system is adopted in the method of rates. That principle is recognized in the adoption of the zone system. It was merchandise, but, according to the opinion of Congress, evidently treated as a convenience rather than as a method of transportation.

Mr. WORTHINGTON. I would like to ask a question as to mail transportation entirely within a State, whether the Interstate Commerce Commission has jurisdiction to decide on that if there was a case at issue between this gentleman and the railroad.

The CHAIRMAN. They would have nothing to do with the mail in a State.

Mr. WORTHINGTON. Would the Interstate Commerce Commission have authority to pass on that question?

The CHAIRMAN. If Congress directed or prescribed a rule, they would have authority to act under the rule, I assume.

Senator WEEKS. It does not strike me that the limitations of the State or county line would affect the power of Congress to fix rates for carrying its mail and determining what body should have the final determination of the rate paid.

Mr. PETERS. In the New York State law I think they reserve the right to determine the rates for the railroads to carry the mail?

Mr. SAFFORD. Constitutional authority over post roads would give the Postmaster General authority over certain intrastate roads.

Mr. BRADLEY. Would not the Interstate Commerce Commission be acting in an unofficial way, as a board of arbitration, just as the law may provide for any body of men to act as a board of arbitration, just as the Interstate Commerce Commission may act to-day unofficially through its members in the railroad field? I do not think it would affect the original province of the Interstate Commerce Commission when they were acting in this special capacity purely as a board of referees.

Senator WEEKS. There are plenty of precedents to indicate that Congress would have ample power to place that authority in the hands of the Interstate Commerce Commission or any other commission. For instance, before we put a free-delivery service in a town we make requirements as to sidewalks, that boxes shall be placed outside of the houses, and other conditions that are entirely local.

Mr. BRADLEY. The streets must be named and houses numbered.

Senator WEEKS. Yes.

The CHAIRMAN. There is no question whatever in regard to congressional authority.

Mr. SAFFORD. I like a government of law. I do not like a government of individuals.

Mr. WORTHINGTON. You would not object if he was a railroad man?

Mr. SAFFORD. I do not know about that. When railroad men get into Government positions they are biased about as much as anybody else, due to their environments.

Mr. PETERS. I think if you could get the pick of your traffic men at $25,000 a year and give him a good continuous office and hold him strictly responsible for it no railroad could hold him up on rates for carrying the mail, because he can appeal to the commission; he can not hold up any railroad and force them to confiscatory rates, because the railroads could appeal to the commission, and I think that would be a most excellent solution of this whole question.

Senator WEEKS. Suppose it were charged there was collusion between the railroads and the official?

Mr. PETERS. The commission can determine.

Senator WEEKS. Who is going to make the appeal in that case? Do you provide for a public appeal to the Postmaster General?

The CHAIRMAN. Congress, by resolution.

Mr. SAFFORD. You would reach him by impeachment, I should think.

## STATEMENT OF MR. V. J. BRADLEY.

The CHAIRMAN. Mr. Bradley, will you kindly state your name and your official occupation?

Mr. BRADLEY. V. J. Bradley, general supervisor of mail traffic of the Pennsylvania Railroad, Philadelphia, Pa. I have a statement which is an analysis of the application of Document 105 to the mail service on the Pennsylvania Railroad system. It is entitled "Railway mail pay—An examination of the methods employed by the Post

Office Department in arranging and tabulating the statistics of mail transportation furnished by the railroads for the month of November, 1909, and the result as applying to the Pennsylvania Railroad system."

## Railway Mail Pay—The Pennsylvania Railroad System.

AN EXAMINATION OF THE METHODS EMPLOYED BY THE POST OFFICE DEPARTMENT IN ARRANGING AND TABULATING THE STATISTICS OF MAIL TRANSPORTATION FURNISHED BY THE RAILROADS FOR THE MONTH OF NOVEMBER, 1909, AND THE RESULTS AS APPLYING TO THE PENNSYLVANIA RAILROAD SYSTEM.

On August 12, 1911, the Postmaster General sent a letter to the Speaker of the House of Representatives presenting a report and tabulated statement transmitting the results of an inquiry by the Post Office Department as to the operation, receipts, and expenditures of railroad companies transporting the mails, and recommending legislation on the subject. The newspapers at that time published the announcement that the investigation developed the fact that some roads were overpaid and others underpaid, but if the existing laws were in accordance with the specific recommendations of the Postmaster General fixing the rate of pay so as to cover the cost and 6 per cent profit, the readjustment would result in a saving to the Government of about $9,000,000 per annum. The document was not published until about December 8, 1911, the delay being explained as due to frequent changes and corrections in the proof. The volume of tabulated data (H. Doc. No. 105), consisting of about 300 printed pages, represents an enormous amount of work, both by the railroad companies and the Post Office Department, and any general analysis or discussion concerning it can not well escape being somewhat lengthy.

### BRIEF HISTORY.

The investigation was in accordance with an old law (March 3, 1879), which had not previously been complied with. It read as follows:

> The Postmaster General shall request all railroad companies transporting the mails to furnish, under seal, such data relating to the operating, receipts, and expenditures of such roads as may, in his judgment, be deemed necessary to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same; and he shall, in his annual report to Congress, make such recommendations, founded on the information obtained under this section, as shall in his opinion be just and equitable.

The chronology of important events in connection with railway mail pay may be briefly set forth as follows:

1873, March 2. Enactment of law (still in effect) fixing the method of paying for railway mail transportation and postal cars.
1876, July 12. Law passed reducing rates for mail transportation 10 per cent.
1878, April. The Hubbard Commission (appointed by Congress) reported in favor of a new method of paying railroad companies based on space limited by the average weight carried.
1878, June 17. Law passed reducing rates for mail transportation 5 per cent.
1879, March 3. Law requiring Postmaster General to request data from railroad companies, etc., as above set forth.

1883, March 3. Law enacted requiring Postmaster General to make thorough investigation into the Railway Mail Service and report a more complete system of gauging the rates of pay for carrying the mails on railroad routes.

1883, December 3. Postmaster General reports to Congress the findings of the Elmer, Thompson and Slater Commission, proposing a new method of paying the railroad companies based on weight and space. (This report was regarded by the Post Office Department as in some measure a compliance with the law of March 3, 1879.)

1898, January 13. Law enacted appointing a joint commission of the House and Senate for the investigation of railway mail pay and other postal subjects.

1901, January 14. This joint commission (the Wolcott-Loud Commission) reported to Congress, stating substantially that the railroads were not overpaid for their mail transportation or postal-car service.

1906, December 1. Postmaster General Cortelyou, in his annual report, states that forms of inquiry are being prepared so as to request railroad companies to furnish information in response to the law of March 3, 1879.

1907, March 2. Law enacted reducing pay of railroad companies for mail transportation 5 per cent on all weights over 5,000 to 48,000 pounds, and 10 per cent on other weights over 48,000 pounds; also reducing postal-car pay 8⅜ per cent for 45-foot cars, 18¾ per cent for 50-foot cars, and 20 per cent for cars of 55 feet or over.

1907, June 7. Postmaster General issues an order changing the divisor (from 6 to 7) in computing the average daily weight of mails, thus resulting in a reduction of about 8 per cent in the pay of railroad companies for mail transportation.

1907, November 30. Postmaster General Meyer, in his annual report, announces that letters of inquiry and tabular forms were sent to all railroad companies to obtain data for three months, beginning July 1, 1907, in accordance with the terms of the law of March 3, 1879. However, at the request of several leading companies, this period was postponed to reach an agreement upon a uniform method of considering and furnishing the data.

1908, November 30. Postmaster General Meyer, in his annual report, announces that the period for obtaining data from railroad companies is not yet fixed.

1909, December 1. Postmaster General Hitchcock, in his annual report, announces that railroad companies have now been requested to furnish the department with comprehensive data as to cost, etc., as per law of March 3, 1879. This to cover the month of November, 1909.

1910, December 1. Postmaster General Hitchcock, in his annual report, describes the details of data supplied by railroad companies for the month of November, 1909, and mentions that reports have been received from 2,850 out of 3,300 mail routes. The checking and tabulation has been in progress since July 1, 1910, and computations have been completed showing the total car-foot miles for each of the three classes of service—passenger, express, and mail. A careful consideration of the railroad companies' assignment and apportionment of operating expenses to freight, passenger, mail, and express service is in progress, and when finished it will provide a comparison of the cost of passenger, mail, and express service "on an ascertained unit basis."

It is explained that the same process will be followed as to revenue derived from the three classes of service, and this will make possible a comparison of the revenue with the cost of service for each class. It is said that many discrepancies were found in the reports of the railroad companies, so that a complete check and verification was found necessary to insure accuracy.

### DESCRIPTION OF THE STATISTICAL INQUIRY FOR NOVEMBER, 1909.

It will be noticed from the above record that the Post Office Department was making preparations to obtain the desired information as early as 1906, and that conferences were had with representatives of railway companies in regard to the forms that could be employed practically.

The forms that were intended for the test beginning July 1, 1907, were found to be impracticable to obtain satisfactory results. The forms and instructions finally prepared called for a statement in the most minute detail, covering the daily operation of each train run during the month of November, 1909. This including the distance of operation, frequency, average speed, the number and length of passenger cars, express cars, postal cars, and of any car space used for any of the three purposes in combination cars; also a statement covering the train and car mileage, the total revenue of passenger, express and mail service, the total operating expenses, and the total passenger operating expenses; the original cost and present value of railway post-office and mail-apartment cars. It also called for a detailed statement of expenditures for station service and station and terminal facilities; also for information concerning the personal transportation of officers and employees of the Post Office Department when in charge of the mails and when traveling as passengers.

Later the railroad companies were called upon for additional information as to operating expenses under 116 primary-expense accounts, recognized by the Interstate Commerce Commission; to show for each item the amounts assignable directly to mail, express, passenger or freight service, and the amount of remainders apportioned to the passenger service (including mail and express), and the basis for such apportionments.

The essence of the Post Office Department's apparent intention was to ascertain for a definite period the relative proportion of car space in passenger trains assigned to mail service, in comparison with the amount of car space assigned to passenger or express service, and accept the result as indicating the proper ratio to be used in establishing the relative cost of mail transportation. The statistical elements for the final solution of the problem would therefore be—

First. The total operating expenses.

Second. The proportion of these expenses chargeable to passenger-train service as distinguished from freight-train service.

Third. The proportion of passenger-train operating expenses chargeable to mail service on the basis of the car space assigned to that service.

Fourth. The proportion of capital cost or fixed charges that should be fairly apportioned to the mail service.

Fifth. The allowance of a suitable rate of interest to insure a fair profit for the utilization of the facilities.

### MAGNITUDE OF THE WORK.

The enormous amount of labor involved in collecting and tabulating the statistics desired for the month of November, 1909, may be judged from the fact that on the Pennsylvania Railroad system it was necessary to consider 146,262 trains (East of Pittsburgh, 115,548; west of Pittsburgh, 30,714), this representing 7,323 individual trains running daily or less frequently. These trains traveled on over 200 different mail routes, for each of which the desired information had to be specifically stated.

The final results were shown on about 800 large sheets, and it is estimated that there were between 300,000 and 400,000 calculations

necessary, either by divisional officers or else at the railroad headquarters, before the work was finished. This included not only the calculations in regard to car space on trains, but also in regard to station and terminal space and employees.

At the general headquarters of the company the final tabulations required the services of about 10 clerks for a period of seven months. The Post Office Department obtained an appropriation from Congress of $20,000 to cover the extra expense for its clerical work, and it is safe to assume that the railroad companies were obliged to undergo an expense of several times that amount to furnish the original data to the department.

The law of 1879 was not mandatory upon the railroad companies, but they appear to have willingly undertaken the labor in order to cooperate with the Post Office Department in a joint effort to ascertain approximately the cost of performing mail service in relation to passenger and express service upon the basis originally outlined.

It was inevitable in a work of such a great extent that errors would occur, both on the part of the railroad companies and the Post Office Department; but it has been gratifying to note that the rechecking of the figures for the Pennsylvania Railroad system has discovered only 11 errors—most of these comparatively small—in a total of nearly 200,000 items and calculations. The Post Office Department has already conceded a number of errors made at Washington, aggregating nearly 19,000,000 car-foot miles.

## CAUTION NECESSARY.

It would naturally occur to a prudent statistician, in taking up a work of such novelty and extent, that the greatest of caution would be advisable, both as to calculations and the deductions to be drawn therefrom:

1. As to the range of possible error due to misunderstanding of the instructions or as to the correct application of the instructions or because of the unusual character of the experimental test that was being undertaken.

2. As to whether the mathematical ratio of car space used for mail purposes in comparison with similar space used for passenger or express services was really a dependable and trustworthy ratio for general conclusions, except as modified by other considerations, such as speed and frequency, to which factors no positive value was accredited.

3. As to whether a period of 30 days is sufficiently long to obtain a trustworthy ratio between the three classes of service, and especially whether the particular month selected—November, 1909—should have been accepted as a representative period upon which any fixed conclusions could be safely reached.

4. In view of the opinions held by many able economists that it is not feasible to ascertain with exact accuracy the cost of particular services in railroad transportation because of the many items of joint expense which must be arbitrarily apportioned and for which there is as yet no generally accepted method of apportionment, it might be rash to assume, even if all the foregoing precautions had been observed, that the cost had been ascertained with any degree of exactitude.

5. Any tentative conclusions in regard to the approximate cost should at least have been checked by comparison with the relative revenues derived from each class of business (this factor being absolutely known) in comparison with the car space assigned to each of the services.

JOINT CONFERENCES DISCONTINUED.

The joint conferences between the Post Office Department officials and the railroad officials were only held during the preliminary stages while the blank forms were being prepared, and the conferences were obviously beneficial in enabling the inquiry to be started on practical lines. The forms and inquiries were sent to railroad companies on September 28, 1909.

Soon thereafter the railroads appointed the committee on railway mail pay representing 282 railroads with 208,000 miles of line, for the purpose of securing uniformity in the basis of compilation and to prevent, as far as possible, misunderstanding relative to the method to be used in securing and tabulating the data. After this committee was formed it called upon the Postmaster General to explain its object and to offer its cooperation with the department in securing the necessary information.

It suggested to the department that all railroads, instead of a few, be requested to furnish information for all mail routes, which suggestion was accepted. However, the suggestion for continued cooperation was not accepted, the Post Office Department preferring to develop its own final methods and to deal with the information received according to its own judgment. It can now be seen that if the cooperation of the committee on railway mail pay had been accepted the results would have been more accurate and the conclusions derived therefrom more acceptable.

GENERAL COMMENTS ON THE POSTMASTER GENERAL'S REPORT.

When Document No. 105 was published, in December, 1911, it was at once noticed—

First. That essential data for a complete understanding had been withheld from Congress. There was no publication of the items of revenue received by railroad companies from passenger or express business so that Congress could make a comparison between these and the revenue from mail business; there was no disclosure of the expense of railroad station and terminal service, or of personal transportation of officers and employees of the Post Office Department, although this information was furnished to the Postmaster General; nor was there any statement of the full extent of the car space as originally reported by the railroad companies to the Postmaster General as being devoted to passenger, mail, and express service.

Second. It was also observed that the Post Office Department had refused to recognize and accept a large portion of the car space devoted to mail purposes on trains, as reported by the railroad companies, and had made reductions from the railroad companies' reports entirely on its own opinions and without sufficient regard to the actual facts or the operating conditions.

Third. It was further observed that the car space devoted to the mails, which the Post Office Department had refused to recognize or

accept, had been deliberately transferred to the car space credited to the passenger service, thus changing the relative ratios of one to the other. The explanation of the Postmaster General was based upon a discrimination between car space *directly* used by the mails, and deemed absolutely necessary, and car space *incidentally* required in connection with the mails, the latter being denominated "dead space," and thus transferred to the passenger service. The fact is, that it is not *dead* space, but just as active as any other car space in the trains, and is just as much an attendant feature of the mail service as similar unoccupied space in the passenger or express cars is to those services, and which the railroad companies, of course, charge to either of those services.

Fourth. It was also discovered that the Post Office Department had not accepted the apportionment of operating expenses as between the freight and passenger services in accordance with the long standing and approved methods of the railroad companies in making up their accounts, but had substituted a new method devised by the Post Office Department and for which there was no authoritative standard. Here the Post Office Department entered into the field of the Interstate Commerce Commission and undertook to give a quasi governmental indorsement to a special method of apportionment, although the Interstate Commerce Commission has refrained from laying down any general rule, notwithstanding the fact that it has been studying this intricate and important question for over 25 years.

Fifth. It was finally observed that the Post Office Department was sufficiently satisfied with the results of its inquiry and with its novel method of apportionment that it felt warranted in recommending to Congress a new law to empower the Postmaster General to determine annually the cost to railroad companies of carrying the mail by this method and to fix the compensation at such cost plus 6 per cent. Even if the method of treating the inquiry and the method of apportionment could be given approval, it was still evident that the Post Office Department was content to fix the compensation at the operating cost plus 6 per cent, thus overlooking the fixed charges and other capital cost and practically ignoring the value of the piece of machinery employed for the purpose of transportation.

### CAR SPACE—CAR-FOOT MILEAGE.

As already explained, the whole structure of the Postmaster General's recommendation is supposed to be based upon relative amount of car space used for the United States mail service as compared with the amount of car space used for the passenger service and the express service, in order to establish a ratio of cost. As an example: If a passenger train had 5 cars, 3 of which were devoted to passenger service, 1 to mail service, and 1 to express service, the ratios would be 60 per cent, 20 per cent, and 20 per cent, respectively. In actual practice, however, note must be taken of the distance traveled, of the different lengths of cars, and of combination cars in which the passenger, mail, or express business occupies only a fractional part of the entire car.

In working out the result no particular note was taken of the varying widths of cars, because the variation is comparatively slight; nor was any note taken of the height of the space in cars, because

of the comparative uniformity in this respect. Therefore the car space computed for either the passenger, mail, or express service was based upon *linear* feet of car space, multiplied by the distance traveled by each train, thus reaching a total of (linear) car-foot miles.

CAR-FOOT MILES—PENNSYLVANIA RAILROAD SYSTEM.

The total car-foot miles for the month of November, 1909, in passenger, mail, and express service reported by the railroad company for the Pennsylvania Railroad system (including all companies east and west of Pittsburgh, except the Long Island Railroad Co.) was 1,536,703,973. The Post Office Department's figures, as printed in December, 1911, were 1,525,747,296, a reduction by the Post Office Department of 10,956,677. Accordingly the railroad company rechecked and verified its figures, with the result that they were slightly increased (801,523) to 1,537,505,496.

The Post Office Department, on January 22 and June 26, 1912, conceded that a number of important errors had been made in their tabulations, and in revising their calculations increased the total by 11,604,111 car-foot miles, this resulting in a grand total of 1,537,351,407.49 car-foot miles and proving the correctness of the railroad company's total within one-hundredth of 1 per cent.

*Pennsylvania R. R. system (all companies east and west of Pittsburgh, except Long Island R. R.)—Comparison of car-foot miles for November, 1909, between railroad company's original report and Post Office Department's readjustment of statistics.*

| Character of service. | Pennsylvania R. R. Co.'s figures (car-foot miles). | | Post Office Department's figures (car-foot miles). | | Difference from railroad company's figures—column 3 versus column 5. |
|---|---|---|---|---|---|
| | As originally reported. | Rechecked and revised February, 1912. | As printed December, 1911. | As revised since. | |
| (1) | (2) | (3) | (4) | (5) | |
| Passenger | 1,174,768,949 | 1,175,591,075 | 1,195,975,851 | 1,201,792,771 | +26,201,696 |
| Mail | 152,471,069 | 152,434,570 | 120,573,101 | 126,279,179 | −26,155,391 |
| Express | 209,463,955 | 209,479,851 | 209,198,344 | 209,279,457 | − 200,394 |
| Total | 1,536,703,973 | 1,537,505,496 | 1,525,747,296 | 1,537,351,407 | − 154,089 |
| Result of corrections up to June 26, 1912 | ..... | +801,523 | ..... | +11,604,111 | ..... |
| Result of comparison after revision, June 26, 1912 | ..... | ..... | ..... | − [1] 154,089 | ..... |

P. S.—The Long Island R. R. is omitted from this table because the Post Office Department statement treats the Long Island R. R. as entirely separate from the Pennsylvania R. R. system.

[1] This difference of 154,089 car-foot miles is only about one-hundredth of 1 per cent of the total passenger train space.

Although a close agreement has finally been reached in the grand total of car-foot miles, it will be observed that there has been a very important readjustment by the Post Office Department of the figures as between passenger, mail, and express services. There is no question but that the railroad company reported the absolute facts, nor is it alleged that the apportionment of car space to each of the services during the month of November, 1909, was in any respect abnormal.

The Post Office Department has simply made its own determination that a certain proportion of the mail space was needed for its business and that another portion was not *absolutely* needed, and as a result it cut out about 20 per cent of the mail space, amounting to over 30,000,000 car-foot miles, and disallowed it, and this action was taken without conference with the railroad company. Subsequently, it admitted clerical errors the correction of which reduced the deduction to 26,000,000 car-foot miles, or about 17 per cent of the mail-car space.

In addition to this reduction of the mail-car space as reported, the Post Office Department made a second unwarranted readjustment by adding the 26,000,000 car-foot miles to the passenger space, thus distorting the correct ratio as between the passenger, mail, and express services.

The successive steps between the original presentation of the data by the railroad company and its revision by the Post Office Department are shown in the following table:

*Total car-foot miles, Pennsylvania R. R. system (all lines east and west of Pittsburgh except Long Island R. R.), as reported by railroad company and as reported and altered by Post Office Department.*

| | Passenger. | Mail. | Express. | Total. |
|---|---|---|---|---|
| 1. Railroad company's figures: Original computation as reported to Post Office Department | 1,174,768,949 (76.45) | 152,471,069 (9.92) | 209,463,955 (13.63) | 1,536,703,973 |
| 2. Railroad company's figures: Rechecked February, 1912 | 1,175,591,075 (76.46) | 152,434.570 (9.91) | 209,479,851 (13.63) | 1,537,505,496 |
| 3. Post Office Department's figures: Originally published December, 1911, deducting 20 per cent of mail space | 1,166,299,427 (77.96) | 120,573,101 (8.06) | 209,198,344 (13.98) | (1,496,070,872) |
| 4. Post Office Department's figures: Showing transfer of rejected mail space to passenger service | 1,195,975,851 (78.39) | 120,573,101 (7.90) | 209,198,344 (13.71) | 1,525,747,296 |
| 5. Post Office Department's figures: Corrected by Post Office Department, June 26, 1912, to show 17 per cent deduction of mail space | 1,177,775,366 (77.83) | 126,279,179 (8.34) | 209,279,457 (13.83) | (1,513,334,002) |
| 6. Post Office Department's figures: Showing transfer of rejected mail space to passenger service | 1,201,792,771 (78.18) | 126,279,179 (8.21 | 209,279,457 (13.61) | 1,537,351,407 |

The relative percentages of car space devoted to the passenger, mail, and express services derived from the preceding table would be as follows:

*Percentage of total car space as ascertained by railroad company and revised by Post Office Department.*

| Basis of— | Passenger. | Mail. | Express. |
|---|---|---|---|
| | *Per cent.* | *Per cent.* | *Per cent.* |
| 1. Railroad company's figures, originally computed | 76.45 | 9.92 | 13.63 |
| 2. Railroad company's figures, rechecked (Feb., 1912) | 76.46 | 9.91 | 13.63 |
| 3. Post Office Department's figures, originally published December, 1911, showing a deduction of 20 per cent mail space | 77.96 | 8.06 | 13.98 |
| 4. Post Office Department's figures, originally published showing a deduction of 20 per cent of mail space and the transfer of the rejected space to the passenger service | 78.39 | 7.90 | 13.7 |
| 5 Post Office Department's figures, corrected June 26, 1912, by Post Office Department to 17 per cent deduction of mail space | 77.83 | 8.34 | 13.83 |
| 6. Post Office Department's figures, corrected by Post Office Department to a 17 per cent deduction of mail space and the transfer of the rejected space to the passenger service | 78.18 | 8.21 | 13.61 |

APPLICATION OF MAIL RATIO TO PASSENGER TRAIN EXPENSES.

The extraordinary importance of the variation in the percentages of mail space will be appreciated when it is pointed out that the passenger train operating expenses (and taxes) for the Pennsylvania Railroad system for the month of November, 1909, was $5,535,546.49. Applying the several *mail* ratios to this amount we obtain the following:

| Basis of— | Per cent. | Proportion of expenses. |
|---|---|---|
| 1. Railroad company's figures, original | 9.92 | $549,126.21 |
| 2. Railroad company's figures, rechecked | 9.91 | 548.572.66 |
| 3. Post Office Department's figures, original, 20 per cent space reduction | 8.06 | 446,165.05 |
| 4. Post Office Department's figures, adding this 20 per cent to passenger space | 7.90 | 437,308.17 |
| 5. Post Office Department's figures, revised, 17 per cent space reduction | 8.34 | 461,664.58 |
| 6. Post Office Department's figures, revised, adding this 17 per cent to passenger space | 8.21 | 454,358.37 |

It can now be seen (comparing items 2 and 3) that the unwarranted rejection of mail space by the Post Office Department to the extent of 20 per cent would have reduced the mail expenses $102,407.61 per month, or $1,228,891.32 per year; also by comparing items 2 and 4, that the transfer of the rejected space to the passenger service would still further reduce the mail expenses by changing the amount to $111,264.49 per month, or $1,335,173.88 per year, and of course correspondingly increase the passenger service expenses.

By comparing items 2 and 6 it will be seen that by reducing its subtraction of mail space from 20 per cent to 17 per cent the expenses rejected are reduced from $111,264.49 to $94,214.29, a difference of $17,050.20 per month, or $204,602.40 a year. This large amount measures the result of some clerical errors made in the Post Office Department's calculations and recently admitted and corrected by the department.

MAIL-CAR SPACE—DISALLOWANCE BY POST OFFICE DEPARTMENT.

The failure of the Post Office Department to publish in its printed document the full data submitted by the railroad company in regard to car space devoted to the United States mails in comparison with the car space which the Post Office Department was willing to recognize for this purpose, makes it extremely difficult to analyze particular cases in order to disclose the methods pursued by the department and the effect of those methods. However, a general explanation can be made, and certain examples can be submitted which should be sufficient to show that the methods of the Post Office Department were not founded on correct principles of transportation, and their use would produce unfair results.

MAIL-CAR SPACE—POST OFFICE DEPARTMENT METHODS.

In the letter of the Second Assistant Postmaster General, printed on pages 5–7 of Document No. 105, the method pursued by the Post Office Department in recognizing or disallowing mail-car space, as reported by the railroad companies, is explained as follows:

In the mail service, the car-foot mileage has been subdivided to show that performed in the full railway post-office car service, apartment-car service, closed-pouch service, storage-car service, and deadhead service. The space in the full railway post-office car service was based upon the actual length of the cars authorized. In cases where cars of greater length than authorized were operated, the excess space, if used by the department for the storage of mails, was charged to storage space, and if not so used was considered as dead space and charged to the passenger service. In cases where a full railway post-office car was necessary in one direction and not used by the department on its return, such return movement being necessary to maintain the service, its length was considered as deadhead space and charged to the mail service. In the apartment-car service the space reported by the Railway Mail Service as being necessary for the needs of the particular train was used, the remaining space being charged to storage or dead space the same as in the full railway post-office car service. It early developed that there was no uniformity in the manner of reporting the amount of space devoted to closed-pouch service by the companies. Therefore it was necessary to fix a basis for the arbitrary assignment of space in cars to that service. After careful consideration, and from information obtained by actual tests, weighings and measurements, the following rule was laid down: For weights of 100 pounds or less allow 6 linear inches; for weights above 100 pounds and not exceeding 200 pounds allow 10 linear inches; for weights above 200 pounds allow 5 linear inches for each additional 100 pounds. The weights were ascertained by multiplying the maximum number of pouches and sacks reported by the company as carried at any one time on a train by the average weight of pouches and sacks, namely, 20 pounds, as fixed by an actual weighing for 10 days of closed pouches on express trains. In cases where companies reported space less than the space which would be allowed upon the above rule, but in accordance with actual measurement or careful estimate, the company's report was accepted.

MAIL-CAR SPACE—ANALYSIS OF RAILROAD COMPANY AND POST OFFICE DEPARTMENT FIGURES.

In Table No. 4 of the document the Post Office Department publishes its own computation of mail-car space under five subdivisions, i. e., (1) R. P. O. car service; (2) apartment-car service; (3) closed-pouch space; (4) storage space; and (5) deadhead space. It does not, however, publish the railroad company's figures for the same subdivisions, nor does it set forth the additional subdivisions which are indicated in the description of the method employed as above explained. The additional subdivisions would be: (6) Excess space used for storage; (7) excess space not used; (8) deadhead cars returning (according to authorized length or according to actual length). These additional subdivisions would be justified under the head of R. P. O. car service and apartment-car service.

In order to reveal the extent and character of the reductions made by the Post Office Department from the *mail-car* space as reported by the railroad company, the following table has been prepared:

*Pennsylvania R. R. system (except Long Island R. R.)—Mail car-foot miles for November, 1909, as reported by the railroad company and as published by the Post Office Department.*

| | Railroad company figures. | Post Office Department figures. | Disallowed. | Per cent of disallowance. |
|---|---|---|---|---|
| R. P. O. cars: | | | | |
| Space authorized | 63,423,463 | 63,180,868.73 | | |
| Excess space used for storage | 5,325,943 | | | |
| Excess space not used | 1,853,549 | | | |
| Deadhead cars returning | 5,166,540 | 7,597,760.09 | | |
| Total | 75,769,495 | 70,778,628.82 | 4,990,866.18 | 6.58 |
| Storage cars: | | | | |
| Loaded | 22,703,692 | 24,726,889.46 | | |
| Deadhead cars returning | 13,546,378 | | | |
| Total | 36,250,070 | 24,726,889.46 | 11,523,180.54 | 31.78 |
| Apartment cars: | | | | |
| Space required | 28,494,624 | 25,728,822.06 | | |
| Excess space used for storage | 932,543 | | | |
| Excess space not used | 2,249,022 | | | |
| Deadhead cars returning | 1,506,847 | | | |
| Total | 33,183,036 | 25,728,822.06 | 7,454,213.94 | 22.46 |
| Closed pouch space: | | | | |
| In use | 7,222,178 | 5,044,838.71 | | |
| Deadhead | 9,791 | | | |
| Total | 7,231,969 | 5,044,838.71 | 2,187,130.29 | 30.24 |
| Grand total | 152,434,570 | 126,279,179.05 | 26,155,390.95 | 17.15 |

This table shows that the Post Office Department has disallowed mail-car space on the Pennsylvania Railroad system to the extent of 26,155,390 car-foot miles, this being 17 per cent of the total mail-car space. It is also obvious that this method of reduction has been pursued in each class of mail-car space, there being a disallowance of 6.58 per cent in R. P. O. cars, 31.78 per cent in storage cars, 22.46 per cent in apartment cars, and 30.24 per cent in closed pouch space.

The theory upon which the Post Office Department makes this reduction in the first three items either minimizes or ignores the operating conditions which necessarily control the railroad company. The maximum necessities of the service must be provided for at all times, while the Post Office Department apparently bases its calculations upon almost the minimum necessities. Their theory also fails to recognize the operating requirements of standard car equipment of uniform sizes and patterns; also that mail apartment cars (which are combination baggage and mail cars or combination baggage, mail, and passenger cars) must be run to the terminal of the division and can not be eliminated from the trains at an intermediate place that may suit the convenience of the mail, but would not suit the convenience of the passenger service.

The greatest reduction in car space disallowance was made in the R. P. O. and storage cars. These together represent a total of 16,514,046 out of a total disallowance of 26,155,390 car-foot miles. An effort has been made to analyze the methods and results of the action of the Post Office Department in these respects on route No. 110001, Philadelphia to Pittsburgh, where a heavy cut of this character has been made. The Post Office Department's report in Table No. 4 shows

only three subdivisions of R. P. O. and storage spaces under the heads: (1) Railway post office car service; (2) storage space; (3) deadhead space, and even here the deadhead space evidently includes some apartment-car space not credited as being actually needed. The railroad company's figures for R. P. O. and storage space have been tabulated and subdivided into six items, which refer exclusively to R. P. O. and storage space, and do not include any apartment-car space. However, by careful comparison and analysis the items have been adjusted in relation to each other, so that it is believed a fair approximation has been achieved.

*Mail car-foot miles for November, 1909—Route No. 110001, Philadelphia to Pittsburgh, Pa.—Comparing railroad company's figures with Post Office Department's figures.*

[Length, railroad company, 348.8 miles; Post Office Department, 349.02 miles.]

| Character of mail space. | Railroad company figures. | Post Office Department figures. | Difference. | Alleged dead space. |
|---|---|---|---|---|
| R. P. O. cars: | | | | |
| Space authorized | 16,355,894 | 16,465,327.90 | + 109,433.90 | |
| Excess space used as storage | 1,301,307 | 693,960.20 | — 607,346.80 | 607,346.80 |
| Excess space not used | 404,182 | | — 404,182.00 | 404,182.00 |
| Deadhead cars returning | 1,443,513 | 1,361,840.00 | — 81,673.00 | 81,673.00 |
| Total | 19,504,896 | 18,521,128.10 | — 983,767.90 | 1,093,201.80 |
| Storage cars: | | | | |
| Loaded | 8,626,631 | 8,626,631.00 | | |
| Empty | 6,013,134 | | — 6,013,134.00 | 6,013,134.00 |
| Total | 14,639,765 | 8,626,631.00 | — 6,013,134.00 | 6,013,134.00 |
| Total R. P. O. and storage | 34,144,661 | 27,147,759.10 | — 6,996,901.90 | 7,106,335.80 |

On this route the Post Office Department's requirements in R. P. O. cars were—

Westbound:

| | |
|---|---|
| 60-foot cars, daily including Sundays | 11 |
| 50-foot cars, daily including Sundays | 2 |
| 40-foot car, daily including Sundays | 1 |
| 60-foot car, daily except Sundays | 1 |
| Total cars, equivalent to 852 feet daily for 30 days | 15 |

Eastbound:

| | |
|---|---|
| 60-foot cars, daily including Sundays | 8 |
| 50-foot cars, daily including Sundays | 2 |
| 40-foot cars, daily including Sundays | 2 |
| 60-foot car, daily except Sundays | 1 |
| Total cars, equivalent to 720 feet daily for 30 days | 13 |

The car-foot miles calculated on this (the minimum) basis would be—

| | |
|---|---|
| 852 feet × 30 days × 349.02 miles | 8,920,951.20 |
| 720 feet × 30 days × 349.02 miles | 7,538,832.00 |
| Total | 16,459,783.20 |

However, the Post Office Department says, in House Document No. 105:

> In cases where a full railway post-office car was necessary in one direction and not used by the department on its return, such return movements being necessary to maintain the service, its length was considered as deadhead space and charged to the mail service.

Under this ruling the car-foot miles would be computed according to the westbound authorization, thus:

852 feet × 2 × 30 days × 349.02 miles ..... 17,841,902.40

That this method was used is confirmed by the fact that if we add the two items shown in the department's statement, Table 5–I—

| | |
|---|---|
| Distribution space | 16,465,327.90 |
| Deadhead space | 1,361,840.00 |
| We have a total of | 17,827,167.90 |

But the railroad company, to meet the maximum necessities of the department and to provide uniform facilities under all operating conditions and exigencies, supplied in all cases R. P. O. cars of 60 feet inside length, and in fact had already introduced into the service a number of the new 70-foot all-steel R. P. O. cars. Therefore the 15 cars authorized westbound were represented by eleven 60-foot cars and four 70-foot cars, and these cars were run every day both ways, except that one of the 60-foot cars was not required to go west on Sundays (train No. 33), because the department did not require it. Hence, the railroad company made provision for an equivalent of 932 feet westbound and, of course, the same car space eastbound. The calculation would be—

932 feet × 2 × 30 days × 348.8 miles ..... 19,504,896

Here is an apparent discrepancy between what the railroad company furnished and what the Post Office Department recognized of 1,677,728.10.

The department, in Document No. 105, says that the excess space in postal cars, if used for storage of mail, was charged to the mail service, and if not was charged to the passenger service.

We find that the department allowed as storage space (i. e., in storage cars as well as R. P. O. cars) 9,320,591.20 car-foot miles, while the company reported for storage cars loaded 8,626,631; therefore the difference—693,960.20—may be regarded as representing the department's allowance of credit for storage space in R. P. O. cars. Adding this to the department's figures, we obtain a total for R. P. O. space recognized of 18,521,128.10. There would still be left 983,767.90 car-foot miles not allowed and therefore cast back upon the passenger service.

This remainder just quoted, when reduced to the daily space per mile, would be 94 feet both ways, or 47 feet per mile one way. Remembering that the number of R. P. O. cars required are 15 daily westbound, the disallowance is tantamount to refusing to recognize an average of 3 linear feet for each 60-foot car. This is a revelation of the minuteness of the discrimination which finally resulted from the method pursued. Of course the railroad company could make no use of this fractional space in postal cars for other traffic.

It is interesting to observe that the railroad company's figures for this same item, "Excess space in R. P. O. cars not used," was 404,182 car-foot miles, which would be equivalent to 20 feet each way per mile to be spread over 15 R. P. O. cars, or an average of only 1⅓ linear feet of space in each 60-foot car not found to be in actual use.

The storage cars are usually 60-foot steel cars, specially fitted with stanchions to mark off stalls in which the bulk mail can be kept separate in piles for prompt delivery. These cars carry working mail as well as other mail. They are usually run in association with R. P. O. cars and are practically tenders to these cars or an extension of the storage space. The railroad company's figures for November, 1909, show:

| | Car-foot miles. |
|---|---|
| Storage cars loaded | 8,626,631 |
| Empty storage cars returning | 6,013,134 |
| Total | 14,639,765 |

The Post Office Department gives no recognition to the return deadhead movement of these cars, and cuts out in this one item 6,013,134 car-foot miles. The movement of mail traffic is very much heavier in the westbound direction than in the eastbound, about 78 per cent of the total load being moved westbound on this route and only 22 per cent eastbound. Neither the railroad company nor the Post Office Department is responsible for this condition, but it can not be ignored in arranging for the traffic, and it is necessary to take note of the deadhead and empty space returning and charge it with its proper proportion of the cost of operation.

The conclusion in regard to route No. 110001 is that the figures as submitted by the railroad company should have been fully accepted by the Post Office Department, and it is confidently believed that any distinterested referee in possession of the above facts and with a proper understanding of the matter would recognize and accept the entire car space as reported.

In the item of apartment cars the railroad company reported 1,264,949 car-foot miles and the Post Office Department published 1,268,240.90. The difference is comparatively slight and requires no discussion.

In closed-pouch service the railroad company reported 1,170,732 car-foot miles as the result of actual measurement, while the Post Office Department reports 831,785.07 as the result of the employment of an arbitrary obtained from a special and limited test of their own, including the assumption that the average weight of a pouch or sack was 20 pounds.

The method followed by the railroad company seems the more dependable. It would be easy to reach a satisfactory understanding regarding an item like this if the larger questions of R. P. O. storage and apartment car space could be adjusted by securing the recognition by the department of the operating conditions which are mandatory upon the railroad management.

ERRORS CONCEDED IN PART BY POST OFFICE DEPARTMENT.

Similar analyses of other mail routes of the Pennsylvania Railroad system would only result in similar conclusions as regards the subtraction by the Post Office Department of mail-car space from the original data reported by the railroad company.

Since Document No. 105 was printed the attention of the Post Office Department has been called to a number of obvious errors in computing mail space, and it has corrected some of the errors in a revised edition of the statement so as to allow additional mail space as follows:

| | Car-foot miles. |
|---|---|
| Route No. 113001, Philadelphia and Washington | 58,512.60 |
| Route No. 131002, Pittsburgh and Chicago | 1,075,046.85 |
| Route No. 131011, Xenia and Richmond | 178,644.18 |
| Route No. 131014, Columbus and Cincinnati | 273,195.90 |
| Route No. 131015, Columbus and Indianapolis | 1,014,370.00 |
| Route No. 131032, Pittsburgh and Columbus | 1,704,376.00 |
| Route No. 133002, Indianapolis and East St. Louis | 1,389,898.88 |
| Route No. 135097, Willows and Madison Tower | 12,032.93 |
| Total | 5,706,077.34 |

These corrections recognize and give credit for the mail space in deadhead postal cars returning in the light direction to the extent of the full R. P. O. car space authorized in the heavy direction. *An acceptance of the same principle in regard to deadhead mail-storage cars would be perfectly logical.*

MAIL-CAR SPACE—SUMMARY.

The total mail car space is shown on page 14 of this statement, classified according to its character. The figures as reported by the railroad company and the disallowance by the Post Office Department in each class is as follows:

| | Railroad company figures—total. | Disallowed by department. | Percentage of disallowance. |
|---|---|---|---|
| R. P. O. space | 75,769,495 | 4,990,866 | 6.58 |
| Storage cars | 36,250,070 | 11,523,180 | 31.78 |
| Apartment cars | 33,183,036 | 7,454,214 | 22.46 |
| Closed-pouch space | 7,231,969 | 2,187.130 | 30.24 |
| Total | 152,434,570 | 26,155,390 | 17.16 |

In R. P. O. space the disallowance of 4,990,866 car-foot miles (or 6.58 per cent) represents the distinction between the standard 70-foot postal car furnished by the railroad company and the practice of the department on a few trains to authorize a less amount of space than 70 feet. In view of the fact that it requires considerably over 100 postal cars to perform the service, the recognition of a standard type of car would be entirely reasonable on the part of the department in lieu of making casual deviations from the standard to meet the minimum conditions. It will be observed that in this particular class of

mail-car space, where the Post Office Department has for years made a definite recognition of space and with which it is most familiar, there is the least variance between the space reported by the company and the space accepted by the department.

In regard to storage-car space, where the disallowance is 11,523,180 car-foot miles (or 31.78 per cent), the deficiency is due to the Post Office Department failing to recognize the deadhead storage cars returning, necessitated by the uneven character of the traffic which ranges from 60 to 85 per cent in the heavy direction and only 15 to 40 per cent in the light direction. A simple recognition of the unavoidable facts of the case would necessitate an agreement from the Post Office Department to the figures reported by the railroad company.

In regard to mail-apartment cars, the disallowance amounts to 7,454,214 car-foot miles (or 22.46 per cent), and is due to the fact that the Post Office Department has reduced the figures actually used to correspond with a space which it thinks would be adequate, because its local officials upon reviewing the figures have so reported. The revision is therefore made on a theoretical basis and represents an expectancy of minimum conditions or, at most, average conditions. The provision of a mail apartment in a combination car, the remainder of which may be used for baggage, express, or passengers, must necessarily be gauged to some extent by the varying demands and the varying volume of the other business. It must also be subject to the standardization of combination cars, which would involve an occasional necessity for using a mail apartment somewhat larger than the need of the day or the hour or the route, because of the impossibility of contracting or expanding an inclosed apartment to meet the fluctuating requirements of the service. It is believed that a fair discussion of the allotment and recognition of mail-apartment car space, and of all the conditions affecting the question, would result in the acceptance by the Post Office Department of all the space, or nearly all the space, reported by the company as being actually provided during November, 1909.

In closed-pouch space the disallowance amounts to 2,187,130 car-foot miles (or 30.24 per cent of the total). This class of service represents the mails that are carried in the baggage car in the custody of the baggage-master. The reports of the railroad company for this class of service were based upon actual measurements. The Post Office Department, according to its report, made use of an arbitrary formula on the assumption that the average mail pouch or sack weighed 20 pounds, and this is deemed to have been a less trustworthy method.

Test cases could readily be submitted showing the inadequacy of the Post Office Department method to do justice. For example, on the New York and Philadelphia route there was an actual weighing of the mails for 105 days in the spring of 1909, as a result of which the Post Office Department certified that the average weight carried over the whole line was 473,230 pounds daily. The Post Office Department also estimated that 17.75 per cent of this weight was so-called closed-pouch mail in care of the baggage-master; this would be 83,525 pounds. According to the department's space ratio of 50 linear inches to 1,000 pounds used in Document No. 105, the

weight just mentioned for a period of 30 days would have been equal to 932,765 car-foot miles.

The railroad company reported for closed-pouch service on this route in the November statistical report 837,174 car-foot miles. The railroad company's figures were, therefore, very conservative—95,000 car-foot miles less than the weight of mail would indicate. The Post Office Department, by revising the railroad company's figures, allowed for this route only 779,996 car-foot miles, which was less than the weight would justify by over 150,000 car-foot miles.

Therefore in this class of mail space, as in all the other which are reviewed above, it is very clear that consultation and comparison of figures are necessary between both parties in interest in order to arrive at accurate and acceptable results.

The respective statements of car space devoted to passenger, mail, and express service for each company embraced in the Pennsylvania Railroad system, both as measured and reported by the railroad company and as rearranged by the Post Office Department, are shown in close comparison in the following table. In a succeeding table are shown the relative percentages of car space for passenger, mail, and express service, based on both the railroad company's figures and upon the Post Office Department's rearrangement of the figures.

*Pennsylvania R. R. system east and west of Pittsburgh (except Long Island R. R.)—Car space for November, 1909, expressed in car-foot miles by companies—Railroad company's figures as verified and rechecked, and Post Office Department figures as shown in revised edition of House Document No. 105.*

| Company. | Length of routes (miles). | Car-foot miles. | | | |
|---|---|---|---|---|---|
| | | Passenger. | Mail. | Express. | Total. |
| Pennsylvania Lines East: | | | | | |
| Pennsylvania R. R | 3,056.67 | 528,508,392 | 57,819,376 | 91,624,080 | 677,951,848 |
| Post Office Department | 3,065.35 | 539,255,118 | 46,974,973 | 91,272,822 | 677,502,913 |
| Philadelphia, Baltimore & Washington R. R | 663.95 | 132,844,668 | 8,336,728 | 15,638,456 | 156,819,852 |
| Post Office Department | 669.24 | 133,683,273 | 7,498,346 | 15,646,654 | 156,828,273 |
| Northern Central Ry | 445.61 | 39,951,565 | 2,894,693 | 7,549,442 | 50,395,700 |
| Post Office Department | 445.44 | 40,233,546 | 2,606,274 | 7,549,439 | 50,389,259 |
| West Jersey & Sea Shore R. R | 310.03 | 35,171,605 | 1,132,387 | 1,827,845 | 38,131,837 |
| Post Office Department | 313.21 | 35,572,410 | 693,987 | 1,823,137 | 38,089,534 |
| New York, Philadelphia & Norfolk R. R | 111.60 | 5,413,995 | 423,166 | 1,550,697 | 7,387,858 |
| Post Office Department | 111.69 | 5,436,194 | 392,202 | 1,547,077 | 7,375,473 |
| Baltimore, Chesapeake & Atlantic Ry | 87.10 | 999,141 | 141,764 | 177,092 | 1,317,997 |
| Post Office Department | 131.13 | 1,028,091 | 113,207 | 177,153 | 1,318,451 |
| Maryland, Delaware & Virginia Ry | 78.00 | 620,165 | 92,772 | 125,255 | 838,192 |
| Post Office Department | 105.95 | 659,158 | 53,825 | 125,255 | 838,238 |
| Cumberland Valley R. R | 162.40 | 9,492,880 | 501,010 | 1,067,108 | 11,060,998 |
| Post Office Department | 164.38 | 9,438,488 | 495,300 | 1,060,235 | 10,994,023 |
| Total, Lines East | 4,915.36 | 753,002,411 | 71,341,896 | 119,559,975 | 943,904,282 |
| Total, Post Office Department | 5,006.39 | 765,306,278 | 58,828,114 | 119,201,772 | 943,336,164 |
| Pennsylvania Lines West: | | | | | |
| Pennsylvania Co | 1,354.08 | 173,181,441 | 28,747,137 | 41,437,614 | 243,366,192 |
| Post Office Department | 1,358.20 | 177,848,715 | 24,363,892 | 41,429,675 | 243,642,282 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 1,460.17 | 158,968,990 | 32,381,282 | 33,434,990 | 224,785,262 |
| Post Office Department | 1,465.24 | 164,300,777 | 27,225,190 | 33,615,137 | 225,141,104 |
| Vandalia R. R | 818.26 | 45,790,484 | 14,827,412 | 8,491,357 | 69,109,253 |
| Post Office Department | 821.20 | 48,301,111 | 12,310,731 | 8,491,361 | 69,103,203 |
| Grand Rapids & Indiana Ry | 547.10 | 25,792,537 | 2,708,457 | 3,501,207 | 32,002,201 |
| Post Office Department | 547.92 | 26,228,201 | 2,272,777 | 3,501,204 | 32,002,182 |
| Cincinnati, Lebanon & Northern Ry | 29.43 | 898,709 | 31,092 | 43,660 | 973,461 |
| Post Office Department | 29.79 | 912,339 | 17,459 | 43,660 | 973,458 |
| Cincinnati & Muskingum Valley R. R | 148.25 | 2,978,759 | 415,309 | 620,074 | 4,014,142 |
| Post Office Department | 148.80 | 3,097,806 | 296,240 | 620,072 | 4,014,118 |
| Cleveland, Akron & Columbus Ry | 177.60 | 8,589,730 | 757,699 | 1,734,569 | 11,081,998 |
| Post Office Department | 178.89 | 8,949,406 | 398,015 | 1,734,572 | 11,081,993 |
| Toledo, Peoria & Western Ry | 248.01 | 5,694,455 | 1,139,212 | 622,233 | 7,455,900 |
| Post Office Department | 249.46 | 6,108,682 | 527,598 | 607,835 | 7,244,115 |
| Waynesburg & Washington R. R | 28.16 | 693,559 | 85,074 | 34,172 | 812,805 |
| Post Office Department | 28.73 | 739,456 | 39,163 | 34,169 | 812,788 |
| Total, Lines West | 4,811.06 | 422,588,664 | 81,092,674 | 89,919,876 | 593,601,214 |
| Total, Post Office Department | 4,828.23 | 436,486,493 | 67,451,065 | 90,077,685 | 594,015,243 |
| Grand total, Lines East and West | 9,726.42 | 1,175,591,075 | 152,434,570 | 209,479,851 | 1,537,505,496 |
| Grand total, Post Office Department | 9,834.62 | 1,201,792,771 | 126,279,179 | 209,279,457 | 1,537,351,407 |

*Pennsylvania R. R. system East and West of Pittsburgh (except Long Island R. R.)—Car space for November, 1909, showing ratio between passenger, mail, and express service based on preceding table.*

| Company. | Passenger, per cent of total. | Mail, per cent of total. | Express, per cent of total. | Total per cent. |
|---|---|---|---|---|
| Pennsylvania Lines East: | | | | |
| Pennsylvania R. R | 77.96 | 8.53 | 13.51 | 100.00 |
| Post Office Department | 79.60 | 6.93 | 13.47 | 100.00 |
| Philadelphia, Baltimore & Washington R. R | 84.71 | 5.32 | 9.97 | 100.00 |
| Post Office Department | 85.24 | 4.78 | 9.98 | 100.00 |
| Northern Central Ry | 79.28 | 5.74 | 14.98 | 100.00 |
| Post Office Department | 79.85 | 5.17 | 14.98 | 100.00 |
| West Jersey & Seashore R. R | 92.24 | 2.97 | 4.79 | 100.00 |
| Post Office Department | 93.39 | 1.82 | 4.79 | 100.00 |
| New York, Philadelphia & Norfolk R. R | 73.28 | 5.73 | 20.99 | 100.00 |
| Post Office Department | 73.71 | 5.32 | 20.97 | 100.00 |
| Baltimore, Chesapeake & Atlantic Ry | 75.81 | 10.75 | 13.44 | 100.00 |
| Post Office Department | 77.98 | 8.58 | 13.44 | 100.00 |
| Maryland, Delaware & Virginia Ry | 73.99 | 11.07 | 14.94 | 100.00 |
| Post Office Department | 78.64 | 6.42 | 14.94 | 100.00 |
| Cumberland Valley R. R | 85.82 | 4.53 | 9.65 | 100.00 |
| Post Office Department | 85.86 | 4.50 | 9.64 | 100.00 |
| Total, Lines East | 79.77 | 7.56 | 12.67 | 100.00 |
| Total, Post Office Department | 81.13 | 6.23 | 12.64 | 100.00 |
| Pennsylvania Lines West: | | | | |
| Pennsylvania Co | 71.16 | 11.81 | 17.03 | 100.00 |
| Post Office Department | 73.00 | 10.00 | 17.00 | 100.00 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 70.72 | 14.41 | 14.87 | 100.00 |
| Post Office Department | 72.98 | 12.09 | 14.93 | 100.00 |
| Vandalia R. R | 66.26 | 21.45 | 12.29 | 100.00 |
| Post Office Department | 69.90 | 17.81 | 12.29 | 100.00 |
| Grand Rapids & Indiana Ry | 80.60 | 8.46 | 10.94 | 100.00 |
| Post Office Department | 81.96 | 7.10 | 10.94 | 100.00 |
| Cincinnati, Lebanon & Northern Ry | 92.32 | 3.19 | 4.49 | 100.00 |
| Post Office Department | 93.72 | 1.79 | 4.49 | 100.00 |
| Cincinnati & Muskingum Valley R. R | 74.20 | 10.35 | 15.45 | 100.00 |
| Post Office Department | 77.17 | 7.38 | 15.45 | 100.00 |
| Cleveland, Akron & Columbus Ry | 77.51 | 6.84 | 15.65 | 100.00 |
| Post Office Department | 80.76 | 3.59 | 15.65 | 100.00 |
| Toledo, Peoria & Western Ry | 76.38 | 15.28 | 8.34 | 100.00 |
| Post Office Department | 84.33 | 7.28 | 8.39 | 100.00 |
| Waynesburg & Washington R. R | 85.33 | 10.47 | 4.20 | 100.00 |
| Post Office Department | 90.98 | 4.82 | 4.20 | 100.00 |
| Total, Lines West | 71.19 | 13.66 | 15.15 | 100.00 |
| Total, Post Office Department | 73.48 | 11.36 | 15.16 | 100.00 |
| Grand total, Lines East and West | 76.46 | 9.91 | 13.63 | 100.00 |
| Grand total, Post Office Department | 78.18 | 8.21 | 13.61 | 100.00 |

MAIL-CAR SPACE—RATIO FOR EACH COMPANY.

After ascertaining the relative amount of car space devoted to the mail service as compared with the amount devoted to passenger and express service, the next step would be to apply the ratio of mail space to the total expenses of the passenger-train service to learn the amount of these expenses properly chargeable to the mail service. The original intention of the Post Office Department was to secure the data of operating expenses so that the cost of operation could be segregated to each individual mail route (there are over 200 routes in the Pennsylvania Railroad system), but it learned that this would be impossible, because the railroads do not have their accounts subdivided so minutely.

Therefore the application of the mail-space ratio to the operating expenses is made for each railroad company in the system and not for the railroad system as a whole nor for any particular route. On page

11 the mail-space ratio for the Pennsylvania Railroad system is applied to the total passenger-train expenses for the system, but this was done only for illustrative purposes.

The percentage of mail-car space for each of the companies east and west of Pittsburgh is shown in the following table, first giving the railroad company's figures, original and revised, then the Post Office Department's figures, both original and corrected, and finally the Post Office Department expense ratio, which is usually lower than its mail-space ratio because of excluding certain items in the expenses as having no relation to the mail service in their opinion.

*Mail car space ratios, Pennsylvania R. R. system (all companies East and West of Pittsburgh except Long Island R. R.).*

| Company. | Railroad company's figures. | | Post Office Department's figures. | | Post Office Department's expense ratio. |
|---|---|---|---|---|---|
| | Original. | Revised. | Original. | Corrected. | |
| East of Pittsburgh: | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* |
| Pennsylvania R. R. Co | 8.53 | 8.53 | 7.04 | 6.93 | 6.74 |
| Northern Central Ry. Co | 5.75 | 5.74 | 5.17 | 5.17 | 5.07 |
| Philadelphia, Baltimore & Washington R. R. Co. | 5.33 | 5.32 | 4.77 | 4.78 | 4.46 |
| West Jersey & Seashore R. R. Co | 2.97 | 2.97 | 1.82 | 1.82 | 1.76 |
| Baltimore, Chesapeake & Atlantic Ry. Co | 10.64 | 10.75 | 8.58 | 8.58 | 8.56 |
| Cumberland Valley R. R. Co | 4.53 | 4.53 | 4.50 | 4.50 | 4.42 |
| Maryland, Delaware & Virginia Ry. Co | 10.60 | 11.07 | 6.42 | 6.42 | 6.03 |
| New York, Philadelphia & Norfolk R. R. Co | 5.73 | 5.73 | 5.32 | 5.32 | 4.45 |
| West of Pittsburgh: | | | | | |
| Pennsylvania Co | 11.85 | 11.81 | 9.56 | 10.00 | 9.65 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry. Co | 14.41 | 14.41 | 10.68 | 12.09 | 11.65 |
| Vandalia R. R. Co | 21.45 | 21.45 | 15.78 | 17.81 | 17.06 |
| Cincinnati & Muskingum Valley R. R. Co | 10.35 | 10.35 | 7.38 | 7.38 | 7.36 |
| Cincinnati, Lebanon & Northern Ry. Co | 3.33 | 3.19 | 1.79 | 1.79 | 1.78 |
| Cleveland, Akron & Columbus Ry. Co | 6.84 | 6.84 | 3.59 | 3.59 | 3.54 |
| Grand Rapids & Indiana Ry. Co | 8.46 | 8.46 | 7.10 | 7.10 | 6.93 |
| Toledo, Peoria & Western R. R. Co | 15.28 | 15.28 | 7.28 | 7.28 | 7.19 |
| Waynesburg & Washington R. R. Co | 10.47 | 10.47 | 4.82 | 4.82 | 4.82 |
| Total, Lines East and West | 9.92 | 9.91 | 7.90 | 8.21 | 7.44 |

## DIVISION OF OPERATING EXPENSES BETWEEN FREIGHT AND PASSENGER SERVICES.

After the mail space ratio is correctly ascertained (in comparison with the corresponding car space ratios for the passenger and express services) the next step would be to find out the amount of operating expenses (including taxes) justly chargeable to the passenger-train service. Then the application of the mail space ratio to the passenger-train expenses should reveal the portion of these expenses which should be charged to the mail service.

It is first necessary to take the total operating expenses which include both the freight and passenger train expenses and divide these equitably between the freight and passenger services. During this process it will be found that many items can be definitely recognized as belonging quite clearly to the one or the other classification, and are therefore called "directly assignable." There are other items, however, of a joint character wherein the line of division is not so obvious. These are therefore called "nonassignable," and it is nec-

essary to accept some reasonable rule for their apportionment between the freight and passenger services.

The rule most generally accepted is to take revenue train mileage performed in each of the services separately (freight and passenger) and use the relative percentage of each to establish the apportionment of joint expenses to each service.

The Post Office Department called upon the railroads to furnish on Form 2603 the desired data as to revenue and expenses for the month of November, 1909, embracing, among other things, the total operating expenses, the total passenger-train operating expenses, the items directly assignable, the items not directly assignable, and as to the latter, the proportion allotted to the passenger-train service and the basis for such apportionment.

In response, the following information from the books of the companies included in the Pennsylvania Railroad system was furnished:

*Operating expenses and taxes, November, 1909, Pennsylvania R. R. system (except Long Island R. R.).*

[Total: Passenger train and per cent of latter to total.]

| Company. | Total operating expenses (and taxes), freight and passenger. | Total operating expenses (and taxes) chargeable to passenger-train service. | Per cent of total. |
|---|---|---|---|
| Pennsylvania Lines East of Pittsburgh: | | | |
| Pennsylvania R. R | $9,079,325.81 | $2,743,857.49 | 30.22 |
| Northern Central Ry | 829,891.35 | 204,993.77 | 24.70 |
| Philadelphia, Baltimore & Washington R. R | 1,109,540.84 | 583,635.13 | 51.70 |
| West Jersey & Seashore R. R | 338,268.23 | 216,999.51 | 64.15 |
| Baltimore, Chesapeake & Atlantic Ry | [1] 14,181.89 | 9,058.84 | 63.88 |
| Cumberland Valley R. R | 150,418.55 | 59,931.03 | 39.84 |
| Maryland, Delaware & Virginia Ry | [1] 10,072.64 | 6,741.44 | 66.93 |
| New York, Philadelphia & Norfolk R. R | 194,731.63 | 46,505.02 | 23.88 |
| Pennsylvania Lines West of Pittsburgh: | | | |
| Pennsylvania R. R | 2,974,405.48 | 630,821.19 | 21.21 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 2,214,180.83 | 621,819.84 | 28.08 |
| Vandalia R. R | 633,064.90 | 201,457.09 | 31.82 |
| Cincinnati & Muskingum Valley R. R | 66,061.67 | 23,824.43 | 36.37 |
| Cincinnati, Lebanon & Northern Ry | 20,128.21 | 4,234.30 | 21.04 |
| Cleveland, Akron & Columbus Ry | 171,128.61 | 37,684.00 | 22.02 |
| Grand Rapids & Indiana Ry | 327,167.47 | 117,055.77 | 35.78 |
| Toledo, Peoria & Western Ry | 86,787.48 | 33,382.06 | 38.46 |
| Waynesburg & Washington R. R | 9,320.47 | 3,815.58 | 40.94 |
| Pennsylvania Lines East of Pittsburgh | 11,726,430.94 | 3,861,722.23 | 32.93 |
| Pennsylvania Lines West of Pittsburgh | 6,502,245.12 | 1,674,094.26 | 25.75 |
| Pennsylvania Lines East and West | 18,228,676.06 | 5,535,816.49 | 30.36 |

[1] Taxes are not included in this amount.

The passenger-train expenses shown above were also subdivided between the assignable and nonassignable costs and reported from the books of the companies, as per the following statement.

*Passenger operating expenses and taxes, November, 1909, Pennsylvania R. R. system (except Long Island R. R.), reported by railroad companies.*

[Total: Assignable and nonassignable and per cent of each to the total.]

| Company. | Passenger operating expenses (and taxes). | | | | |
|---|---|---|---|---|---|
| | Total. | Assignable. | Per cent of total. | Non-assignable. | Per cent of total. |
| Pennsylvania Lines East: | | | | | |
| Pennsylvania R. R | $2,743,857.49 | $1,765,854.86 | 64.36 | $978,002.63 | 35.64 |
| Philadelphia, Baltimore & Washington R. R | 573,635.13 | 351,664.20 | 61.30 | 221,970.93 | 38.70 |
| Northern Central Ry | 204,993.77 | 140,469.87 | 68.52 | 64,523.90 | 31.48 |
| West Jersey & Seashore R. R | 216,999.51 | 140,785.86 | 64.88 | 76,213.65 | 35.12 |
| New York, Philadelphia & Norfolk R. R | 46,505.02 | 27,007.35 | 58.07 | 19,497.67 | 41.93 |
| Cumberland Valley R. R | 59,931.03 | 30,440.82 | 50.79 | 29,490.21 | 49.21 |
| Baltimore, Chesapeake & Atlantic Ry | 9,058.84 | 2,612.44 | 28.84 | 6,446.40 | 71.16 |
| Maryland, Delaware & Virginia Ry. | 6,741.44 | 2,073.16 | 30.75 | 4,668.28 | 69.25 |
| Pennsylvania Lines West: | | | | | |
| Pennsylvania R. R | 630,821.19 | 360,836.16 | 57.20 | 269,985.03 | 42.80 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 621,819.84 | 360,727.99 | 58.01 | 261,091.85 | 41.99 |
| Vandalia R. R | 201,457.09 | 103,982.42 | 51.62 | 97,474.67 | 48.38 |
| Grand Rapids & Indiana Ry | 117,055.77 | 59,412.96 | 50.76 | 57,642.81 | 49.24 |
| Cincinnati & Muskingum Valley R. R | 23,824.43 | 13,490.93 | 56.63 | 10,333.50 | 43.37 |
| Cleveland, Akron & Columbus Ry. | 37,684.00 | 20,167.55 | 53.52 | 17,516.45 | 46.48 |
| Cincinnati, Lebanon & Northern Ry | 4,234.30 | 2,435.89 | 57.53 | 1,798.41 | 42.47 |
| Toledo, Peoria & Western Ry | 33,382.06 | 13,196.01 | 39.53 | 20,186.05 | 60.47 |
| Waynesburg & Washington R. R | 3,815.58 | 2,020.87 | 52.96 | 1,794.71 | 47.04 |
| Pennsylvania Lines East | 3,861,722.23 | 2,460,908.56 | 63.73 | 1,400,813.67 | 36.27 |
| Pennsylvania Lines West | 1,674,094.26 | 936,270.78 | 55.93 | 737,823.48 | 44.07 |
| Pennsylvania Lines East and West | 5,535,816.49 | 3,397,179.34 | 61.37 | 2,138,637.15 | 38.63 |

The basis of the apportionment was shown in each case, and for the sake of brevity is sufficiently indicated by citing the instance of the Pennsylvania Railroad Co., as illustrated in the following table:

*Passenger operating expenses and taxes, November, 1909, Pennsylvania R. R. Co., apportioned to each class of expense and reported by railroad company.*

[Total: Assignable and nonassignable and per cent of each to the total.]

| | Total. | Assignable. | Per cent of total. | Nonassignable. | Per cent of total. |
|---|---|---|---|---|---|
| (*a*) Maintenance of way and structures | $428,569.19 | $30,418.34 | 7.10 | $398,150.85 | 92.90 |
| (*b*) Maintenance of equipment | 869,565.27 | 744,475.45 | 85.61 | 125,089.82 | 14.39 |
| Traffic | 76,627.50 | 76,627.50 | 100.00 | ..... | ..... |
| (*c*) Transportation | 1,107,030.38 | 885,602.59 | 80.00 | 221,427.79 | 20.00 |
| (*d*) General | 114,795.49 | 28,730.98 | 25.03 | 86,064.51 | 74.97 |
| (*e*) Taxes | 147,269.66 | ..... | ..... | 147,269.66 | 100.00 |
| Total | 2,743,857.49 | 1,765,854.86 | 64.36 | 978,002.63 | 35.64 |

BASIS OF APPORTIONMENT FOR NONASSIGNABLE ITEMS.

(*a*) Divided on revenue train mileage.
(*b*) Divided, generally, on revenue train mileage; a few items on the divided maintenance of equipment items.
(*c*) Divided, generally, on revenue train mileage; a few items on the yard and locomotive mileage.
(*d*) Divided on revenue train mileage.
(*e*) Divided on various classes of taxes—tax on gross receipts and tax on net earnings on gross passenger earnings to total passenger and freight earnings; other taxes on maintenance of way and structures.

DIVISION OF EXPENSES—FIRST REPORTS INADEQUATE.

The Post Office Department states in its report that the data supplied by the railroad companies on Forms 2603 and 2604 was found to be inadequate for the purposes needed. Accordingly request was made for the information as to expenses in greater detail, a new Form 2608 being printed, in which the total operating expenses for November, 1909, were requested to be shown subdivided into the 116 primary operating expense accounts recognized by the Interstate Commerce Commission. It was also desired that for each item the amounts assignable directly to mail, express, passenger, and freight services be stated and the amounts of remainders apportioned and the basis of such apportionment.

DIVISION OF EXPENSES—POST OFFICE DEPARTMENT INTRODUCES ITS OWN METHOD.

From this information the Post Office Department divided by its own method the total operating expenses between the passenger and freight services and determined what amounts were directly chargeable to the mail, express, and passenger services. The remainder of the passenger operating expenses (which were not directly assigned) were apportioned on the basis of the car-foot mileage recognized in each service.

The effect of the departmental method of dividing the expenses between freight and passenger service is shown as to each of the companies in the following table:

*Division of expenses by railroad company and Post Office Department—Comparison of results.*

| Company. | Total operating expenses (and taxes), freight and passenger. | Operating expenses (and taxes) chargeable to passenger train service. | Per cent of total. |
|---|---|---|---|
| Pennsylvania Lines East of Pittsburgh: | | | |
| Pennsylvania R. R | $9,079,325.81 | $2,743,857.49 | 30.22 |
| Post Office Department | 9,079,325.81 | 2,056,327.76 | 22.65 |
| Northern Central Ry | 829,891.35 | 204,993.77 | 24.70 |
| Post Office Department | 829,891.35 | 163,266.93 | 19.67 |
| Philadelphia, Baltimore & Washington R. R | 1,109,540.84 | 583,635.13 | 51.70 |
| Post Office Department | 1,109,540.84 | 469,729.03 | 42.34 |
| West Jersey & Seashore R. R | 338,268.23 | 216,999.51 | 64.15 |
| Post Office Department | 335,686.37 | 187,581.24 | 55.88 |
| Baltimore, Chesapeake & Atlantic Ry | [1] 14,181.89 | 9,058.84 | 63.88 |
| Post Office Department | 15,744.42 | 8,662.94 | 55.02 |
| Cumberland Valley R. R | 150,418.55 | 59,931.03 | 39.84 |
| Post Office Department | 149,908.69 | 52,426.25 | 34.97 |
| Maryland, Delaware & Virginia Ry | [1] 10,072.64 | 6,741.44 | 66.93 |
| Post Office Department | 10,486.81 | 6,729.14 | 64.17 |
| New York, Philadelphia & Norfolk R. R | 194,731.63 | 46,505.02 | 23.88 |
| Post Office Department | 158,052.48 | 27,025.93 | 17.10 |
| Pennsylvania Lines West of Pittsburgh: | | | |
| Pennsylvania Co | 2,974,405.48 | 630,821.19 | 21.21 |
| Post Office Department | 2,974,405.48 | 513,350.50 | 17.26 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 2,214,180.83 | 621,819.84 | 28.08 |
| Post Office Department | 2,214,180.83 | 525,545.13 | 23.74 |
| Vandalia R. R | 633,064.90 | 201,457.09 | 31.82 |
| Post Office Department | 633,064.90 | 144,261.49 | 22.79 |
| Cincinnati & Muskingum Valley R. R | 66,061.67 | 23,824.43 | 36.37 |
| Post Office Department | 66,061.67 | 20,314.92 | 30.75 |
| Cincinnati, Lebanon & Northern Ry | 20,128.21 | 4,234.30 | 21.04 |
| Post Office Department | 20,128.21 | 4,229.14 | 21.01 |
| Cleveland, Akron & Columbus Ry | 171,128.61 | 37,684.00 | 22.02 |
| Post Office Department | 171,128.61 | 28,143.06 | 16.45 |
| Grand Rapids & Indiana Ry | 327,167.47 | 117,055.77 | 35.78 |
| Post Office Department | 327,167.47 | 92,828.38 | 28.37 |
| Toledo, Peoria & Western Ry | 86,787.48 | 33,382.06 | 38.46 |
| Post Office Department | 86,787.48 | 26,928.89 | 31.03 |
| Waynesburg & Washington R. R | 9,320.47 | 3,815.58 | 40.94 |
| Post Office Department | 9,320.47 | 2,851.76 | 30.60 |
| Pennsylvania Lines East and West, total | 18,228,676.06 | 5,535,816.49 | 30.36 |
| Post Office Department, total | 18,190,881.89 | 4,330,202.49 | 23.80 |
| Difference | 37,794.17 | 1,205,614.00 | ..... |

[1] Taxes are not included in this amount.

Upon examining the foregoing comparison it is immediately noticeable that by the method devised by the Post Office Department for this occasion the passenger train operating expenses are made much lower in each case than the amount reported by the railroad company. The total for the 17 companies shows that the department's method eliminated $1,205,614 from the passenger-train expenses, or 21.77 per cent of the amount reported. In the case of the Pennsylvania Railroad Co. the amount is reduced from $2,743,857.49 to $2,056,327.76, a reduction of $687,529.73, or 25.05 per cent. As these amounts are for the single month of November, 1909, the reduction in the case of the Pennsylvania Railroad Co. was equivalent to over $8,000,000 per year, and for all of the 17 companies to over $14,000,000 for the year. This important alteration in the fundamental financial basis of the inquiry was made by the department without any consultation with the railroad company to obtain its views or its explanations.

The method of apportionment of expenses used by the Pennsylvania Railroad Co. was not created for the statistical inquiry of

November, 1909, undertaken by the Post Office Department. It had been in effect for over 40 years, and during that time it was frequently the subject of discussion and verification by its expert accounting officers, not only among themselves, but also in association with the experts of other railroads in annual conventions as well as in conference with the Interstate Commerce Commission and State railroad commissions. The results reached from year to year from this long-established method were the statistical guide for measuring efficiency and for gauging expenditures many times greater than the revenue derived from transporting the mails.

Consequently, the company would be fully warranted in concluding that in this particular inquiry its statement of passenger-train expenses should have been accepted by the Post Office Department because of the greater experience of its officers in dealing with such matters and their greater intimacy with the financial and operating factors involved than could possibly be possessed by those in the postal service who were designated to give this subject their study and consideration. Further, the company's method of between 40 and 50 years' duration was at least neutral as to this particular inquiry, while a special and peculiar method, such as that used by the Post Office Department, devised for this inquiry, would need to be closely scrutinized. The fact that it produces uniformly lower expenses for the passenger train service (and consequently for the mail service on passenger trains) would not lead one to conclude that it was adopted for its abstract qualities regardless of its concrete results.

NOVEMBER, 1909, OR ANY SINGLE MONTH NOT REPRESENTATIVE OF AVERAGE CONDITIONS.

If all other computations and methods had been correct, it would still be essential to verify the statistical results for November, 1909, to ascertain whether they were truly representative of average conditions throughout the year. It is contended that no unit less than one year can correctly indicate a dependable ratio as to revenues and expenses, and in some cases a series of years would be necessary. The following table shows a comparison between November, 1909, and the average 30 days of the calendar year 1909, for the principal companies of the Pennsylvania Railroad system:

| Company. | Revenue. | | Expenses. | |
|---|---|---|---|---|
| | November, 1909, higher than average 30 days of year 1909 by— | November, 1909, lower than average 30 days of year 1909 by— | November, 1909, higher than average 30 days of year 1909 by— | November, 1909, lower than average 30 days of year 1909 by— |
| | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* |
| Pennsylvania R. R. | 4 | ..... | ..... | 2 |
| Philadelphia, Baltimore & Washington R. R. | 2 | ..... | 2 | ..... |
| Northern Central Ry | 1 | ..... | ..... | 8 |
| West Jersey & Seashore R. R. | ..... | 35 | ..... | 12 |
| Pennsylvania Co. | ..... | 1 | ..... | 4 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | ..... | 1 | 1 | ..... |
| Vandalia R. R. | ..... | 6 | 7 | ..... |
| Grand Rapids & Indiana Ry | ..... | 10 | ..... | ..... |

This shows a wide variation as between the different companies and illustrates that it was rather precipitate to base a final judgment as to profit or loss and a prediction of a $9,000,000 saving upon the statistics of a single month unverified as to its truly representative character.

### COMPARATIVE REVENUES FROM PASSENGER, MAIL, AND EXPRESS.

Although the revenues from the passenger, mail, and express business for November, 1909, were reported to the Post Office Department as requested, they are not published in Document No. 105, but only the revenue from the mails. It is certainly important for Congress to know how the railway mail pay compares with the revenue from passenger and express service in relation to the car space devoted to each service. The following table gives separately the earnings from passenger, mail, and express traffic for each company:

*Revenues for November, 1909, from passenger, mail, and express business.*

| Company. | Passenger. | Mail. | Express. | Total. |
|---|---|---|---|---|
| Pennsylvania Lines East of Pittsburgh: | | | | |
| Pennsylvania R. R | $2,623,967.32 | $202,688.86 | $403,474.39 | $3,230,130.57 |
| Philadelphia, Baltimore & Washington R. R | 604,170.75 | 29,594.18 | 88,848.70 | 722,613.63 |
| Northern Central Ry | 178,733.67 | 9,860.89 | 30,501.27 | 219,095.83 |
| West Jersey & Seashore R. R | 186,072.99 | 2,899.47 | 12,492.55 | 201,465.01 |
| New York, Philadelphia & Norfolk R. R.[1] | 32,494.53 | 2,723.79 | 9,628.52 | 44,846.84 |
| Baltimore, Chesapeake & Atlantic Ry | 5,504.34 | 448.46 | 703.01 | 6,655.81 |
| Maryland, Delaware & Virginia Ry | 3,013.08 | 297.29 | 389.53 | 3,699.90 |
| Cumberland Valley R. R.[2] | 42,821.07 | 1,768.15 | 5,844.80 | 50,434.02 |
| Total, Pennsylvania Lines East | 3,676,777.75 | 250,281.09 | 551.882.77 | 4,478,941.61 |
| Pennsylvania Lines West of Pittsburgh: | | | | |
| Pennsylvania Co | 607,938.74 | 83,666.93 | 112,023.02 | 803,628.69 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 589,627.40 | 98,794.03 | 118,180.34 | 806,601.77 |
| Vandalia R. R | 170,690.05 | 43,208.68 | 17,218.81 | 231,117.54 |
| Grand Rapids & Indiana Ry.[3] | 116,251.75 | 7,517.09 | 9,980.92 | 133,749.76 |
| Cincinnati, Lebanon & Northern Ry.[3] | 4,515.61 | 180.40 | 575.00 | 5,271.01 |
| Cincinnati & Muskingum Valley R. R.[3] | 19,366.72 | 1,219.16 | 2,253.24 | 22,839.12 |
| Cleveland, Akron & Columbus Ry.[3] | 38,775.58 | 1,710.94 | 7,687.83 | 48,174.35 |
| Toledo, Peoria & Western Ry.[3] | 34,078.65 | 1,879.58 | 1,500.00 | 37,458.23 |
| Waynesburg & Washington R. R.[3] | 6,109.32 | 251.77 | 273.00 | 6,634.09 |
| Total, Pennsylvania Lines West | 1,587,353.82 | 238,428.58 | 269,692.16 | 2,095,474.56 |
| Grand total, Pennsylvania Lines East and West | 5,264,131.57 | 488,709.67 | 821,574.93 | 6,574,416.17 |

[1] Data furnished for December, 1909.
[2] Data furnished for January, 1910.
[3] Data furnished for period, Dec. 6, 1909, to Jan. 4, 1910.

If we measure these revenues according to the car space (car-foot miles) assigned to each service during November, 1909, we would use the following figures as reported for the different companies and carefully revised and rechecked.

*Car space for November, 1909, expressed in car-foot miles, by companies.*

| Company. | Passenger. | Mail. | Express. | Total. |
|---|---|---|---|---|
| Pennsylvania Lines East of Pittsburgh: | | | | |
| Pennsylvania R. R | 528,508,392 | 57,819,376 | 91,624,080 | 677,951,848 |
| Philadelphia, Baltimore & Washington R. R | 132,844,668 | 8,336,728 | 15,638,456 | 156,819,852 |
| Northern Central Ry | 39,951,565 | 2,894,693 | 7,549,442 | 50,395,700 |
| West Jersey & Seashore R. R | 35,171,605 | 1,132,387 | 1,827,845 | 38,131,837 |
| New York, Philadelphia & Norfolk R. R.[1] | 5,413,995 | 423,166 | 1,550,697 | 7,387,858 |
| Baltimore, Chesapeake & Atlantic Ry | 999,141 | 141,764 | 177,092 | 1,317,997 |
| Maryland, Delaware & Virginia Ry | 620,165 | 92,772 | 125,255 | 838,192 |
| Cumberland Valley R. R.[2] | 9,492,880 | 501,010 | 1,067,108 | 11,060,998 |
| Total, Pennsylvania Lines East | 753,002,411 | 71,341,896 | 119,559,975 | 943,904,282 |
| Pennsylvania Lines West of Pittsburgh: | | | | |
| Pennsylvania Co | 173,181,441 | 28,747,137 | 41,437,614 | 243,366,192 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 158,968,990 | 32,381,282 | 33,434,990 | 224,785,262 |
| Vandalia R. R | 45,790,484 | 14,827,412 | 8,491,357 | 69,109,253 |
| Grand Rapids & Indiana Ry.[3] | 25,792,537 | 2,708,457 | 3,501,207 | 32,002,201 |
| Cincinnati, Lebanon & Northern Ry.[3] | 898,709 | 31,092 | 43,660 | 973,461 |
| Cincinnati & Muskingum Valley R. R.[3] | 2,978,759 | 415,309 | 620,074 | 4,014,142 |
| Cleveland, Akron & Columbus Ry.[3] | 8,589,730 | 757,699 | 1,734,569 | 11,081,998 |
| Toledo, Peoria & Western Ry.[3] | 5,694,455 | 1,139,212 | 622,233 | 7,455,900 |
| Waynesburg & Washington R. R.[3] | 693,559 | 85,074 | 34,172 | 812,805 |
| Total, Pennsylvania Lines West | 422,588,664 | 81,092,674 | 89,919,876 | 593,601,214 |
| Grand total, Pennsylvania Lines East and West | 1,175,591,075 | 152,434,570 | 209,479,851 | 1,537,505,496 |

[1] Data furnished for December, 1909.
[2] Data furnished for January, 1910.
[3] Data furnished for period Dec. 6, 1909, to Jan. 4, 1910.

Dividing the revenues by the car-foot miles, we obtain the average earnings from each class of service on the common unit, the car-foot mile.

*Revenues for November, 1909, per car-foot mile from each class of service.*

| Company. | Passenger. | Mail. | Express. | Total. | Mail.[1] |
|---|---|---|---|---|---|
| Pennsylvania Lines East of Pittsburgh: | *Mills.* | *Mills.* | *Mills.* | *Mills.* | *Mills.* |
| Pennsylvania R. R | 4.965 | 3.506 | 4.404 | 4.765 | 4.324 |
| Philadelphia, Baltimore & Washington R. R | 4.548 | 3.550 | 5.681 | 4.607 | 4.032 |
| Northern Central Ry | 4.474 | 3.407 | 4.040 | 4.348 | 3.789 |
| West Jersey & Seashore R. R | 5.290 | 2.560 | 6.835 | 5.283 | 4.231 |
| New York, Philadelphia & Norfolk R. R | 6.002 | 6.437 | 6.209 | 6.070 | 3.766 |
| Baltimore, Chesapeake & Atlantic Ry | 5.509 | 3.163 | 3.970 | 5.050 | 3.961 |
| Maryland, Delaware & Virginia Ry | 4.859 | 3.204 | 3.110 | 4.414 | 8.063 |
| Cumberland Valley R. R | 4.511 | 3.529 | 5.477 | 4.560 | 3.594 |
| Total, Pennsylvania Lines East | 4.879 | 3.490 | 4.591 | 4.737 | 4.255 |
| Pennsylvania Lines West of Pittsburgh: | | | | | |
| Pennsylvania Co | 3.510 | 2.910 | 2.703 | 3.302 | 3.450 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 3.709 | 3.051 | 3.534 | 3.588 | 3.616 |
| Vandalia R. R | 3.728 | 2.914 | 2.028 | 3.344 | 3.510 |
| Grand Rapids & Indiana Ry | 4.507 | 2.775 | 2.851 | 4.179 | 3.417 |
| Cincinnati, Lebanon & Northern Ry | 5.025 | 5.802 | 13.170 | 5.415 | 10.333 |
| Cincinnati & Muskingum Valley R. R | 6.502 | 2.936 | 3.634 | 5.690 | 4.116 |
| Cleveland, Akron & Columbus Ry | 4.514 | 2.258 | 4.432 | 4.347 | 4.448 |
| Toledo, Peoria & Western Ry | 5.985 | 1.650 | 2.411 | 5.024 | 3.564 |
| Waynesburg & Washington R. R | 8.808 | 2.959 | 7.989 | 8.162 | 6.429 |
| Total, Pennsylvania Lines West | 3.763 | 2.940 | 2.998 | 3.535 | 3.540 |
| Grand total, Pennsylvania Lines East and West of Pittsburgh | 4.473 | 3.195 | 3.898 | 4.267 | 3.873 |

[1] Mail earnings a : calculated by the Post Office Department using reduced car-space figures.

It thus appears that in 15 cases out of 17 the earnings from the mails, according to the company's figures, are lower than the earnings from the passenger service as measured by the car space devoted to each service. In 13 cases out of 17 the earnings from the mails are lower than the earnings from the express service, although the mail service enjoys greater speed and frequency of transmission than the express traffic and is much more exacting in its requirements. Even the Post Office Department's figures for mail earnings in the last column show that in 11 cases out of 17 the mail earnings are lower than passenger-train earnings per car-foot mile.

In the case of the Pennsylvania Railroad Co., if the mail car-foot miles (57,819,376) be multiplied by the average passenger earnings per car-foot mile (4.965 mills) the mail pay for November, 1909, would have been $287,073.50. The actual pay as stated by the Post Office Department was $203,126.54. Therefore there was a shortage of $83,946.96 for the month or an annual shortage of about $1,007,363.52 as compared with passenger earnings.

For the Pennsylvania Railroad system (both east and west of Pittsburgh) the average revenue per car-foot mile was 4.267 mills for all passenger-train service, including passenger, mail, and express traffic. The mail pay was only 3.195 mills, this amount being calculated by dividing the actual revenue from mail traffic by the number of car-foot miles reported by the railroad company. The mail pay was, therefore, 33 per cent below the average earnings of passenger trains. The revenue from the express service (a service much less expensive to the railroad company than the transportation of the mails) was 3.898 mills per car-foot mile, or 21 per cent higher than the revenue from the mails.

If the Post Office Department's car-space total for the mail service (17 per cent below that reported by the railroad company) be divided into the mail pay, it will produce an average of 3.873 mills per car-foot mile, against the railroad company's figures of 3.195 mills, referred to above. Even if the Post Office Department's figures could be accepted, the mail pay would still be 10 per cent below the average passenger-train earnings and slightly below the average earnings from express traffic.

COMPARISON OF MAIL REVENUE AND MAIL EXPENSES FOR NOVEMBER, 1909.

A comparison is made in the following table between the railroad company's earnings from the mail service and the expenses chargeable to the mail transportation as computed by the railroad company and the Post Office Department:

*Comparison of mail revenue and mail expenses for November, 1909, as computed by the railroad company and by the Post Office Department.*

| Company. | Mail space ratio. | Revenue from mail. | Expense ratio. | Passenger-train expenses chargeable to mail. | Gain | Loss. |
|---|---|---|---|---|---|---|
| Pennsylvania Lines East: | *Per ct.* | | *Per ct.* | | | |
| Pennsylvania R. R | 8.53 | $202,688.86 | 8.53 | $234,051.04 | | $31,362.18 |
| Post Office Department | 6.93 | 203,126.54 | 6.74 | 138,686.11 | $64,440.43 | |
| Philadelphia, Baltimore & Washington R. R | 5.32 | 29,594.18 | 5.32 | 30,517.39 | | 923.21 |
| Post Office Department | 4.78 | 30,239.04 | 4.46 | 20,933.51 | 9,305.53 | |
| Northern Central Ry | 5.74 | 9,860.89 | 5.74 | 11,766.64 | | 1,905.75 |
| Post Office Department | 5.17 | 9,874.12 | 5.07 | 8,277.96 | 1,596.16 | |
| West Jersey & Seashore R. R | 2.97 | 2,899.47 | 2.97 | 6,444.88 | | 3,545.41 |
| Post Office Department | 1.82 | 2,936.11 | 1.76 | 3,295.13 | | 359.02 |
| Baltimore, Chesapeake & Atlantic Ry | 10.75 | 448.46 | 10.75 | 973.83 | | 525.37 |
| Post Office Department | 8.58 | 448.46 | 8.56 | 741.62 | | 293.16 |
| Maryland, Delaware & Virginia Ry | 11.07 | 297.29 | 11.07 | 716.39 | | 419.10 |
| Post Office Department | 6.42 | 434.02 | 6.03 | 406.10 | 27.92 | |
| Cumberland Valley R. R | 4.53 | 1,768.15 | 4.53 | 2,714.88 | | 946.73 |
| Post Office Department | 4.50 | 1,780.17 | 4.42 | 2,315.74 | | 535.57 |
| New York, Philadelphia & Norfolk R. R | 5.73 | 2,723.79 | 5.73 | 2,664.74 | 59.05 | |
| Post Office Department | 5.32 | 1,477.16 | 4.45 | 1,205.21 | 271.95 | |
| Total, Pennsylvania Lines East | 7.56 | 250,281.09 | 7.56 | 289,849.79 | | 39,568.70 |
| Total, Post Office Department | 6.23 | 250,315.62 | 5.92 | 175,861.38 | 74,454.24 | |
| Pennsylvania Lines West: | | | | | | |
| Pennsylvania Co | 11.81 | 83,666.93 | 11.81 | 74,499.98 | 9,166.95 | |
| Post Office Department | 10.00 | 84,043.34 | 9.65 | 49,530.56 | 34,512.78 | |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry | 14.41 | 98,794.03 | 14.41 | 89,604.24 | 9,189.79 | |
| Post Office Department | 12.09 | 98,434.79 | 11.65 | 61,242.34 | 37,192.45 | |
| Vandalia R. R | 21.45 | 43,208.68 | 21.45 | 43,212.54 | | 3.86 |
| Post Office Department | 17.81 | 43,209.69 | 17.06 | 24,614.75 | 18,594.94 | |
| Grand Rapids & Indiana Ry | 8.46 | 7,517.09 | 8.46 | 9,902.92 | | 2,385.83 |
| Post Office Department | 7.10 | 7,766.70 | 6.93 | 6,435.57 | 1,331.13 | |
| Cincinnati, Lebanon & Northern Ry | 3.19 | 180.40 | 3.19 | 135.07 | 45.33 | |
| Post Office Department | 1.79 | 180.40 | 1.78 | 75.43 | 104.97 | |
| Cincinnati & Muskingum Valley R. R | 10.35 | 1,219.16 | 10.35 | 2,465.83 | | 1,246.67 |
| Post Office Department | 7.38 | 1,219.16 | 7.36 | 1,495.12 | | 275.96 |
| Cleveland, Akron & Columbus R.R. | 6.84 | 1,710.94 | 6.84 | 2,577.58 | | 866.64 |
| Post Office Department | 3.59 | 1,770.52 | 3.54 | 997.37 | 773.15 | |
| Toledo, Peoria & Western Ry | 15.28 | 1,879.58 | 15.28 | 5,100.78 | | 3,221.20 |
| Post Office Department | 7.28 | 1,880.58 | 7.19 | 1,935.40 | | 54.82 |
| Waynesburg & Washington R. R | 10.47 | 251.77 | 10.47 | 399.49 | | 147.72 |
| Post Office Department | 4.82 | 251.77 | 4.82 | 137.46 | 114.31 | |
| Total, Pennsylvania Lines West | 13.66 | 238,428.58 | 13.66 | 227,898.43 | 10,530.15 | |
| Total, Post Office Department | 11.36 | 238,756.95 | 10.78 | 146,464.00 | 92,292.95 | |
| Grand total, lines East and West | 9.91 | 488,709.67 | 9.91 | 517,748.22 | | 29,038.55 |
| Grand total, Post Office Department | 8.21 | 489,072.57 | 7.44 | 322,325.38 | 166,747.19 | |

*Earnings and expenses per car-foot mile, Pennsylvania R. R. system, November, 1909 (except Long Island R. R.)—Railroad company figures compared with Post Office Department figures.*

| Company. | Earnings per car-foot mile. | | | Expenses per car-foot mile. | | |
|---|---|---|---|---|---|---|
| | | Mail space. | | Mail space. | | |
| | Total passenger train. | Railroad company. | Post Office Department. | Railroad company. | Post Office Department. | Post Office Department plus 6 per cent. |
| | *Mills.* | *Mills.* | *Mills.* | *Mills.* | *Mills.* | *Mills.* |
| Pennsylvania R. R. | 4.765 | 3.506 | 4.324 | 4.047 | 2.952 | 3.129 |
| Philadelphia, Baltimore & Washington R. R. | 4.607 | 3.550 | 4.032 | 3.658 | 2.791 | 2.958 |
| Northern Central Ry. | 4.348 | 3.407 | 3.789 | 4.068 | 3.176 | 3.367 |
| West Jersey & Seashore R. R. | 5.283 | 2.560 | 4.231 | 5.691 | 4.748 | 5.033 |
| Baltimore, Chesapeake & Atlantic Ry. | 5.050 | 3.163 | 3.961 | 6.873 | 6.552 | 6.945 |
| Maryland, Delaware & Virginia Ry. | 4.414 | 3.204 | 8.063 | 7.721 | 7.545 | 7.998 |
| Cumberland Valley R. R. | 4.560 | 3.529 | 3.594 | 5.418 | 4.675 | 4.955 |
| New York, Philadelphia & Norfolk R. R. | 6.070 | 6.437 | 3.766 | 6.295 | 3.073 | 3.263 |
| Pennsylvania Lines East | 4.74 | 3.49 | 4.255 | 4.063 | 2.989 | 3.169 |
| Pennsylvania Co. | 3.302 | 2.910 | 3.450 | 2.592 | 2.033 | 2.155 |
| Pittsburgh, Cincinnati, Chicago & St. Louis Ry. | 3.588 | 3.051 | 3.616 | 2.766 | 2.250 | 2.385 |
| Vandalia R. R. | 3.344 | 2.914 | 3.510 | 2.915 | 2.000 | 2.120 |
| Grand Rapids & Indiana Ry. | 4.179 | 2.775 | 3.417 | 3.058 | 2.832 | 3.002 |
| Cincinnati, Lebanon & Northern Ry. | 5.415 | 5.802 | 10.333 | 4.350 | 4.321 | 4.580 |
| Cincinnati & Muskingum Valley R. R. | 5.690 | 2.936 | 4.116 | 5.935 | 5.047 | 5.350 |
| Cleveland, Akron & Columbus Ry. | 4.347 | 2.258 | 4.448 | 3.400 | 2.506 | 2.656 |
| Toledo, Peoria & Western Ry. | 5.024 | 1.650 | 3.564 | 4.477 | 3.668 | 3.888 |
| Waynesburg & Washington R. R. | 8.162 | 2.959 | 6.429 | 4.694 | 3.510 | 3.721 |
| Pennsylvania Lines West | 3.53 | 2.94 | 3.540 | 2.810 | 2.171 | 2.302 |
| Pennsylvania Lines East and West. | 4.27 | 3.20 | 3.873 | 3.397 | 2.552 | 2.706 |

The railroad company found that the mail revenue was lower than the operating expenses and taxes to the extent of $29,038.55 for the month, or $348,462.60 for the year.

The Post Office Department, by reducing the space 17.16 per cent and by excluding 21.77 per cent of the expenses, found that the mail revenue was higher than the operating expenses and taxes to the extent of $166,747.19 for the month, or $2,000,966.28 for the year, equal to 51.7 per cent excess over operating expenses and taxes.

But neither of these calculations is complete, because both stop at operating expenses and taxes and do not take into account the fixed charges nor a reasonable dividend on the investment.

We must now seek the amount to be added to the operating expenses and taxes in order to fully cover fixed charges, additions, and betterments, a fair dividend and surplus for use in adversity, and for this purpose it seems fair to quote the supplemental ratio (46.86 per cent) indicated in statement 43, page 70, of the annual report of the Interstate Commerce Commission for the fiscal year 1910. If we add 46.86 per cent to the expenses chargeable to mail transportation ($517,742.22), we obtain $760,356.22 as representing the amount which the mail service should have paid the company in November, 1909, if it rendered its proportionate share of both operating expenses and capital cost. This sum, in contrast with the actual revenue of $488,709.67, reveals a loss of $271,646.55 for the month, or $3,259,758.60 for the year, equal to 36 per cent.

The Post Office Department's figures for expenses chargeable to the mail ($322,325.38) are considered to be so indefensible as to render any extended calculations upon them entirely misleading; but if 46.86 per cent were added to cover fixed charges, etc., the amount would be raised to $473,367.05, or very little below the mail pay ($488,709.67) at that time.

## SUMMARY.

*Review.*—Taking a retrospective view of the entire inquiry and its results, a doubt suggests itself as to the advisability of the Post Office Department having undertaken the inquiry at all. The law of 1879 placed a judicial duty upon the Postmaster General regardless of the disadvantages of his position, first, that he was of necessity an interested party as a shipper of mail traffic, and, second, that the ascertainment would require an exploration into a field where he and his officers were entirely unfamiliar. Eight years later, in 1887, the Interstate Commerce Commission was created, and it is probable that if the inquiry had again been directed by Congress the duty would have been laid upon the Interstate Commerce Commission. Thirty years had elapsed since the passage of the law before the statistics of November, 1909, were taken.

*Mail-car space.*—However, in instituting the inquiry it was understood that the car space devoted to the mail service was to be used as the ratio for determining the amount of the expenses which should be charged to the mail service. So when the Postmaster General deducted 17.16 per cent of the mail-car space reported for the Pennsylvania Railroad system, without obtaining the company's views as to the operating necessity for that space, he was undertaking to protect his supposed rights as a shipper of mail and not treating the case in a judicial capacity. This attitude would involve the corollary that the railroad company should fix the tariff rate for the shipper, subject only to review by the Interstate Commerce Commission.

Also, when the Postmaster General rejected this space he made a statistical mistake in adding it to the passenger-car space, because he ignored a statistical unit commonly used in railroad calculations and known as the "passenger train." This is a composite unit made up of passenger, mail, express, and miscellaneous car space. If he made the deduction at all, he should have made it from the entire train. But if he deducted what he called "dead space" for mail from the entire train he would be at the necessity of deducting similar "dead space" in the passenger and other particular services from the entire train, with the result that the ratio for mail space would be higher than if he ignored "dead space" entirely. These facts and conditions would all be familiar to the Interstate Commerce Commission.

*Ascertainment of cost.*—The division of expenses between freight and passenger service, which the Interstate Commerce Commission discontinued 20 years ago, has been described as one of the greatest economic questions of modern times. The reluctance and caution shown by the Interstate Commerce Commission in considering the formulation and adoption of a general rule applicable to all railroads has been regarded as appropriate and wise by those who are

familiar with the enormous difficulties and stupendous possibilities of the question. The excursion of the Post Office Department into a field where the experts of the Interstate Commerce Commission fear to tread was a consequence, perhaps, of the effort to comply with the requirements of a very old law, but it is easily apparent that in any ascertainment of cost the Post Office Department is not qualified by knowledge of the subject and is not in a disinterested position to enable it to reach correct conclusions, either as to the division between freight and passenger service or as to the subdivision between passenger, mail, and express services.

*Effect on the Pennsylvania Railroad system.*—In applying the yardstick of mail space to measure the passenger train expenses chargeable to the mail service, if the companies' yardstick was 100 per cent of the mail-car space, the Post Office Department's was 82.84 per cent. This shrunken yardstick was applied not to 100 per cent of the passenger train expenses as reported, but to only 78.23 per cent. The result, therefore, was only 64.8 per cent of the correct total of the operating expenses and taxes chargeable to the mail service, and further omitted any allowance for fixed charges and interest on the investment. The conclusion reached by the company, that it was underpaid 36 per cent, or about $3,300,000, at that time, is based upon actual facts as to operating expenses and taxes and by using a formula for capital cost applicable to all the railroads of the country, as a whole.

*Mail pay in comparison with other revenues and expenses.*—In January, 1901, the joint commission of the House and Senate, concluding an investigation of the postal service extending over three years, reported to Congress their conclusion that the pay of the railroad companies for the transportation of the mails was not excessive, and recommended that no reduction be made. The conditions existing on the Pennsylvania Railroad system and services by the company for the Post Office Department were given special study by the commission and its experts, as the printed proceedings show. Since that time the rate of pay has been reduced by law and by the regulations and practices of the Post Office Department, so that it does not now give a fair remuneration for the weight and car space carried and provided and for the auxiliary services in connection therewith.

A comparison of a few principal items from the annual reports of the Pennsylvania Railroad Co. for 1900 and for 1911 will illustrate this point most forcibly:

*The Pennsylvania Railroad Co.*

| | 1911 | 1900 | Increase. | Per cent of increase. |
|---|---|---|---|---|
| Freight ton mileage | 19,419,779,983 | 11,922,671,210 | 7,497,108,773 | 62.88 |
| Passengers carried 1 mile | 1,722,734,924 | 918,198,602 | 804,536,322 | 87.62 |
| Freight revenue | $114,069,932.34 | $64,390,452.51 | $49,679,479.83 | 77.15 |
| Passenger revenue | $34,113,529.48 | $18,181,081.77 | $15,932,447.71 | 87.63 |
| Gross revenue | $163,118,139.61 | $88,534,107.24 | $74,584,032.37 | 84.24 |
| Operating expenses (except taxes) | $120,384,321.90 | $58,832,157.48 | $61,552,164.42 | 104.62 |
| Taxes | $6,826,069.53 | $2,027,160.38 | $4,798,909.15 | 236.37 |
| United States mail ton mileage | 35,859,120 | 17,608,063 | 18,251,057 | 103.65 |
| United States mail revenue | $2,445,557.86 | $1,537,384.63 | $908,173.23 | 59.07 |
| Express revenue | $4,376,098.81 | $1,817,358.75 | $2,558,740.06 | 140.79 |

In the above statement the United States mail ton mileage is considerably below the true figures, because the latest weighing east of Pittsburgh took place in 1909, and there was a heavy increase in the following two years. But taking the figures as they stand, the mail traffic increased more than any other traffic in percentage, while the pay is the lowest in the scale of increase and is the only one that recedes as the volume of business advances.

*Postal-car pay.*—During the past five years the company has entirely replaced its postal cars by new all-steel 70-foot cars at a cost for the 120 cars of about $1,500,000. It adopted the policy before there was any national law requiring steel cars. These cars cost 50 per cent more to build, and as they are 50 per cent heavier they cost more to haul. The cost of maintenance (including electric lights) is also much greater. The interior facilities for sorting the mails are also considerably greater for the purposes of the Post Office Department. When one seeks to ascertain what was the additional remuneration of this great improvement he finds:

Annual pay to Pennsylvania R. R. system for R. P. O. cars:

| | |
|---|---|
| June 30, 1907 | $920,721.15 |
| July 1, 1912 | 669,261.21 |
| Reduction | 251,459.94 |

Of this reduction about $172,000 was caused by the act of March 2, 1907, reducing pay for R. P. O. cars. About $73,000 represents departmental reductions in pay, mainly without regard to the operating conditions. The present pay for R. P. O. cars on the Pennsylvania lines averages about 4.4 cents a running mile, and as the cost of repairs, light, heat, etc., is about 3.4 cents, only 1 cent a mile is left for the cost of hauling and a return on the capital investment of the road upon which they are hauled.

*Terminal service—New York, N. Y., etc.*—Any doubt that one might entertain that the mail service should participate in the charges for expensive terminal service is readily removed upon a proper understanding of the subject. The Second Assistant Postmaster General, in his testimony on January 28, 1913, alluded to the Pennsylvania Station at New York, N. Y., as costing nearly $100,000,000, the larger part of which might be admitted by everybody to be a passenger facility in which the mails are not interested at all, and drew a similar illustration as regards the Union Station at Washington, D. C. In response it might be said that in these great terminals the facilities provided for the passengers, spacious in extent and beautiful in design and material, attract the eye and obscure for the moment the real facilities which perform the service. The terminal facilities at New York, which are included in the total for which over $100,000,000 was expended, extend from about Newark, N. J., to the Sunnyside yards in Long Island City, a distance of about 12 miles. The Pennsylvania Station edifice and its appurtenances would represent perhaps 25 per cent of this amount. In connection with the Pennsylvania Station and the general post office adjacent thereto there are provided spiral chutes, conveyors, and elevators for speedy handling of the mails, these having been installed at an expense to the railroad company of approximately one-half million dollars. All of these upper facilities depend for their efficiency upon the tracks below, of which there are 21, 6 being ordinarily devoted

to the Long Island Railroad business, thus leaving 15 tracks for the Pennsylvania Railroad business. Of these 15 tracks there are 3 largely devoted to the mails, the R. P. O. and storage cars occupying these tracks for hours at a time. It is estimated that track No. 8 is used by the mails to the extent of 40 per cent; track No. 14, 41 per cent; and track No. 15, 94 per cent. It would therefore seem that fully 10 per cent of the terminal facilities at New York are properly chargeable to the United States mails—i. e., rating the 15 tracks at 100 per cent each, or 1,500 per cent for the whole, in contrast with 175 per cent used by the mails.

*Conclusion.*—The Pennsylvania Railroad system performs service for the Post Office Department on about 9,800 miles of road, supplying an area which comprises the most important manufacturing, commercial, and agricultural portion of the country, as shown by the annexed map.

It carries the mails on 2,700 trains daily, of which 160 are full R. P. O. trains, about 725 are mail-apartment trains, and about 1,815 are closed-pouch trains.

Two of these trains are exclusive mail trains of the greatest speed, making the run from New York to St. Louis in 24 hours. If these trains were paid for specially at $2 a mile (a moderate rate) for the round trip of 2,122 miles, they would cost the Post Office Department $3,098,120 per year, an amount equal to 53 per cent of the total mail pay received by the company.

The frequency of its train service which gives the Post Office Department such extraordinary facilities in serving the public satisfactorily, may be seen in Table 3 of House Document No. 105, by comparing the columns giving the length of mail routes, the train mileage, the car mileage, and the total mail car-foot miles. It can be seen that the Pennsylvania Railroad system affords, as compared with the average of all the railroads of the country, 120 per cent more train-miles per mile of road, 138 per cent more car-miles, and 158 per cent more mail space per mile of road.

It receives about 11 per cent of the total mail pay and carries about 16 per cent of the mail ton-mileage.

It is the main artery from New York to Washington for the mails of the Atlantic coast from Maine to Florida. It is likewise the main artery from New York to Pittsburgh, Columbus, Cincinnati, and St. Louis, for the entire mails from New York and the intervening country for the great Southwest from Missouri to Louisiana, and thence to southern California. It duplicates between New York, Philadelphia, and Chicago the fast-mail service which the New York Central lines provide from New York and the New England States to all the States lying west and northwest of Chicago.

Its best efforts and its full resources have always been employed for the Post Office Department, because it is a service for the whole people and because the prosperity and happiness of the general community is enhanced by a rapid and efficient postal service.

*What is fair remuneration?*—The maximum rate of pay for a service rendered may be described as the value of the service to the purchaser; this maximum being moderated in commercial transactions by the law of supply and demand and the activity of competition. If the company were paid for the mails transported and

the service performed in connection therewith in accordance with the value of this service to the Post Office Department or its value to the communities interested, the present rate of pay would have to be multiplied many times.

The minimum rate of pay for a service rendered might be described as the cost of performing the service, because this marks the limitation beyond which the person performing the service could not be expected to go and any reward for the work performed is absent.

Between these two extremes there is a middle ground where a fair and reasonable rate of pay can be expected and which would be justified according to a fair appraisement of the value of the service based upon the returns from other somewhat similar services. The expenditures made by the company are based on prices which represent not the cost of the material furnished or of the personal services rendered but the fair commercial value thereof. It is believed that Congress, after considering the testimony submitted by the railroads in comparison with the testimony submitted by the Post Office Department, can readjust the present rates for the transportation of the mails and for the payment of car space used for traveling post offices, both in full postal cars and in apartment cars, so that a fair remuneration can be approximated and granted.

The recommendations already submitted by the railroad committee on railway mail pay in favor of annual weighings, pay for mail apartment cars, and relief from the side and terminal messenger service have our concurrence.

Thereupon, at 2 o'clock p. m., the committee took a recess until 3 o'clock p. m.

AFTER RECESS.

The hearing was resumed at the expiration of the recess at 3 o'clock p. m.

The CHAIRMAN. Mr. Bradley, referring to that portion of your testimony, as contained in your table entitled "Pennsylvania Railroad system (except Long Island Railroad) total car-foot miles, November, 1909, as reported by railroad company, and as reported and altered by Post Office Department," and the amount under your disallowance claim in the grand total of 26,155,391, the percentage of disallowance being 17, what is the principal difference between your figures and those of the Post Office Department? Is it because of your differences in reference to dead space?

Mr. BRADLEY. Entirely due to differences as to what is to be regarded as dead mail space.

The CHAIRMAN. If you will turn to page 96 of the preliminary report, entitled "Railway mail pay," issued January 24, 1913, and the quoted letter from Mr. Hitchcock, under date of January 9, 1913, the second paragraph, subheaded "Second," reading as follows: "That in computing car-foot miles the mail service shall be charged in both directions for the line of railway post-office cars, with the maximum space authorized in either direction," would the adoption of that eliminate this difference of twenty-six million and odd car-foot miles?

Mr. BRADLEY. No, sir.

The CHAIRMAN. Why not?

Mr. BRADLEY. Because that is simply a restatement by the former Postmaster General of the practice which the Post Office Department claimed to have pursued in preparing Document 105, in regard to recognition of space in full railway post-office cars. It is therefore not regarded as a modification.

The CHAIRMAN. Read my letter to the Postmaster General, on page 96, dated January 6, 1913, and kindly inform me if acquiescence of the department or by law in the terms of such letter would, if in effect, have wiped out this difference of twenty-six-odd millions?

Mr. BRADLEY. If the Post Office Department had given a plain affirmation to your second paragraph, reading, "In the matter of car space, the railroad companies be credited with the maximum space in both directions," I would say that would have entirely settled the question at issue as regards dead mail space.

The CHAIRMAN. I have a telegram from the then Postmaster General, Mr. Hitchcock, referring to my letter of January 6, 1913, reading as follows: "Your letter of to-day is accurate in its statement of the modifications I favor." That telegram, you take it, is contradictory, taken in conjunction with my letter and the letter of Mr. Hitchcock of January 9, which you have read?

Mr. BRADLEY. It seems to me that the letter of the former Postmaster General particularly limits the modification he is willing to make to the full railway post-office car, regarding which, in the case of the Pennsylvania Railroad Co., we had a difference with the Post Office Department of only 6½ per cent, and that it does not propose or consent to any modification in regard to the other classes of mail-car space, storage cars, apartment cars, and closed-pouch space, which together represent 21,000,000 car-foot miles out of 26,000,000 disallowed. Therefore the modification, as I understand it, is only a very slight approach toward an adjustment of the differences.

The CHAIRMAN. But all this difference of twenty-six-odd million car-foot miles would be dissipated by the allowance of car space by crediting the railroad company with maximum space in both directions in the matter of car space.

Mr. BRADLEY. Yes; and that would be, as I say, a simple recognition of the space that was actually and necessarily operated for the mails during the month selected for the test—November, 1909.

The CHAIRMAN. Such an allowance, by law or by the department, namely, crediting railroad companies with maximum space in both directions for all car space used, would rectify the discrepancy between yourself and the department as represented by the nonallowance for 13,546,378 car-foot miles on empty storage cars running, would it not?

Mr. BRADLEY. I believe so.

The CHAIRMAN. So that really the main difference between you and the department in the results obtained on the information contained in Document 105 is the difference in allowance or nonallowance for maximum amount of space for the round trip?

Mr. BRADLEY. So far as the space is concerned; yes, sir.

The CHAIRMAN. And a law or a regulation providing for an allowance for part of the trip with a maximum space would cover that and bring you and the department closer together?

Mr. BRADLEY. I am very much afraid that no law could be framed sufficiently definite to prevent serious differences of opinion under

the assumption which the Post Office Department entertains that it is its exclusive privilege and within its duty to specify what space it needs and what space it will pay for. I fear that the varied conditions on the different routes are so many that it would be practically impossible to frame a law which would remove the causes for misunderstanding and irritation.

The CHAIRMAN. In your testimony you say:

> The revenue from the express service (a service much less expensive to the railroad company than the transportation of the mail) was 3.898 mills per car-foot mile, or 21 per cent higher than the revenue from the mail.

Would you kindly elucidate a little your statement to the effect that the express service is less expensive to the railroad company than the transportation of the mail?

Mr. BRADLEY. I understand that you have called for a formal statement on this phase of the matter from the chairman of the committee on railway mail pay, and no doubt that will bring out a precise statement of the differences. It might, however, be said in a general way that the express service enjoys much less frequency of transportation than does the mail service. There is no doubt but that the loading is greater per car-mile, and therefore there is an operating economy feasible in this class of traffic to a much greater extent than is noticeable in the mail traffic. The express company contributes to the expense of station service; it pays rental for space occupied. It contributes toward the wages of train employees who assist in the performance of its service. It relieves the railroad company from any responsibility for loss or damage to the property transported as express traffic, and also from any responsibility for injury to its employees, while they are traveling on the express company's business. I understand it also performs a number of special services for railroad companies, such as the free transportation and distribution of tickets, money, etc. This is merely an offhand statement, because it is a subject on which I have only general information.

The CHAIRMAN. But it will be followed up by a carefully prepared statement giving the differences and the relativeness as between the services in expense to the railroad company?

Mr. BRADLEY. Will it be satisfactory for the chairman of the committee to submit that statement, or is it desired that I should take special note of the inquiry to send in something individually on it?

The CHAIRMAN. I would like something individually, in order to get your particular views explanatory of the statement made by you in your testimony which I have just referred to.

Mr. BRADLEY. I will be glad to do so. (Mr. Bradley subsequently furnished the following comparison:)

*Differences in the requirements imposed upon the railroad companies in the performance of United States Mail Service as compared with similar relations in the performance of service for the express companies.*

| Subject. | Post Office Department. | Express companies. |
|---|---|---|
| Contracts | Post Office Department seeks to stipulate all the conditions and reserves the right to change many of them at will without consultation. | Express companies formally contract with railroad companies, the railroad companies being the controlling party and reserving important powers. |
| Differences | Differences with Post Office Department not subject to arbitration as in England. | Arbitration would be naturally resorted to and many contracts so provide. |

*Differences in the requirements imposed upon the railroad companies in the performance of United States Mail Service as compared with similar relations in the performance of service for the express companies*—Continued.

| Subject. | Post Office Department. | Express companies. |
|---|---|---|
| 3. Pay adjustments..... | Post Office Department weighs the mails and adjusts the pay every four years and practically gives itself a rebate on the increased business for the intermediate period. | Express pay to railroad companies is automatically adjusted on the actual daily business. |
| 4. Transporsation facilities. | Post Office Department demands unlimited frequency—practically on every train. | Express companies strictly limited to certain train movements. |
| 5. Car space..... | Post Office Department requires excess car space for sorting the mails en route far beyond what the load requires. | Express traffic loads more compactly and therefore more economically. |
| 6. Railway post office cars; mail apartment cars. | The railway post office cars are largely occupied by pigeonholes and iron racks and are not available for general railroad use when not occupied by the mails. | Express traffic does not require specially equipped cars. Baggage cars serve the purpose and are available for general use. |
| 7. Construction; maintenance. | The law requires steel railway post office cars, and the Post Office Department prescribes the interior fittings and special sanitary fixtures and requirements. Light (electric or gas) is especially expensive, so much being needed. Hence, high cost of construction and maintenance. | The express company accepts the cars that the railroad company can supply and is content with ordinary service and very little artificial light. Hence low cost of construction and maintenance. |
| 8. Loading and unloading. | The railroad companies pay for loading and unloading mail cars. | The express companies bear this expense themselves. |
| 9. Employees accompanying traffic en route. | Probably three or four times as many railway postal clerks are carried for sorting the mails en route. The railroad companies are responsible for their lives and safety. Substantial amounts are paid annually on account of accidents. | Express companies relieve the railroad company from any responsibility for injury or death of its employees. |
| 10. Station room..... | If the Post Office Department requires room for transfer clerks at stations, the railroad companies provide them without special charge and also furnish them and supply heat, light, iced water, etc. | The express company pays rent for any space occupied in stations or builds its own structures. |
| 1. Side and terminal messenger service. | Post Office Department requires railroad companies to carry the mails between the station and the post office at many places. | No such service is performed for the express company. |
| 12. Free or reciprocal service. | Post Office Department makes no concessions to railroad companies. | The express company usually carries free, money, tickets, valuable packages, etc., for the railroad company, not only on the contracting railroads, but also over the connecting lines over which the express company operates. |
| 13. Mail cranes and mail receivers. | Post Office Department requires railroad companies to erect and maintain these devices at several thousand places throughout the country. | No such requirement exists in connection with the express service. |
| 14. Advance loading of railway post office cars. | Post Office Department expects cars to be placed in terminals several hours before leaving time for distribution in addition to loading, and thereby avoids renting space in post offices for that purpose. | Express companies own or rent their own unloading or loading warehouses and pay all costs and expenses. |
| 15. Handling traffic..... | Post Office Department pays nothing extra to train baggagemen nor to station baggagemen for handling the mail traffic. | Express company contributes to the salary of railroad employees acting in the joint capacity. |
| 16. Responsibility for loss or damage. | The Post Office Department has not, so far as known, asserted the claim that the railroad companies are pecuniarily responsible for the general mails, but have imposed fines to cover the loss of registered mail or of mail bags or locks lost or destroyed as in railroad wrecks. | Express company accepts all responsibility for loss or damage to express traffic. |
| 17. Fines and penalties.. | Post Office Department imposes fines and deductions in many cases, some of which are dependent upon the idea that the particular mail (perhaps relatively unimportant) must be given preference over passenger and other traffic. | Express company accepts the railroad company's standard of efficiency and has no superior privileges of supervision. |

Mr. Chairman, in response to your recent informal suggestion I have prepared a statement of views upon the question as to whether the carriage of the United States mails represents an intangible asset to the railroads which should be given weight in fixing the rates for transportation. I submit it herewith for such disposition as you may desire to make of it.

The CHAIRMAN. On behalf of the committee, I am extremely obliged to you for your compliance with the request, and will insert in the record your views relative to that particular phase of the problem.

A CONSIDERATION OF THE QUESTION AS TO WHETHER THE CARRIAGE OF THE UNITED STATES MAILS REPRESENTS AN INTANGIBLE ASSET TO THE RAILROADS WHICH SHOULD BE GIVEN WEIGHT IN FIXING THE RATES FOR TRANSPORTATION.

This question requires some study as to the basic attitude of the United States Government toward the post office and of the resultant duties or privileges of the citizen in regard to the post office; also an analysis of the relative standing of those who as contractors, messengers, postmasters, clerks, or letter carriers perform service for the Post Office Department.

The first resolution of the Continental Congress regarding postal matters was passed on Monday, May 29, 1775, and reads:

"As the present critical condition of the Colonies renders it highly necessary that ways and means should be devised for the speedy and secure conveyance of intelligence from one end of the continent to the other:

"*Resolved*, That Benjamin Franklin and five other Members be appointed a committee to consider the best means of establishing posts for conveying letters and intelligence through this continent."

Two months later the committee reported and Congress agreed that a Postmaster General be appointed for the United Colonies; that a line of posts be appointed from Falmouth, New England, to Savannah, Ga., with as many cross posts as he shall think fit. That deputies should be paid 20 per cent of what they collect and pay into the General Post Office up to $1,000 per annum, and 10 per cent on all sums beyond that amount, and the resolution continues:

'And if the necessary expenses of this establishment should exceed the produce of it, the deficiency shall be made good by the United Colonies."

Later on—February 25, 1777—a resolution was passed that $5,000 be advanced to the Postmaster General, and the language continues:

"And if the profits of the said post offices shall not be sufficient to defray the expenses of same, the deficiency shall be supplied out of the Continental Treasury."

We therefore find that the Continental Congress, as a military and national emergency, found it necessary to establish a postal service as an offset to the ministerial post office that was still maintained in the Colonies under royal authority. It is also evident that even at that time, when the new Nation was struggling in its birth, it was expected that profits in conducting the post office might be sufficient to defray expenses, and only in the event that they were not was it provided that the deficiency should be supplied out of the Treasury.

After the adoption of the Constitution in 1789, an act was passed on September 22, 1789, for the temporary establishment of the post office until the end of the next session of Congress, and no longer. A similar act was passed in 1790, 1791, and 1792, and it was not until June 1, 1794, that a General Post Office was established at the seat of government. The Postmaster General did not become a member of the Cabinet until 1829, 35 years after the permanent establishment of the post office.

Upon the permanent establishment of the post office, Congress limited the postal monopoly to the letter mail—which at present we call first-class matter—carried for the general public, and this limitation of monopoly still continues after nearly 120 years. It is well to note that the growth in the volume of the mails since that time has been largely in the second, third, and fourth class mail matter. In the special weighing of 1907 first-class matter constituted 7.29 per cent of all mail matter and equipment, and 12.81 per cent of all mail matter excluding equipment.

It is also to be noted that when the post office was established in 1794 communication by letter was practically the only means of communication, whereas since that time telegraph and telephone service have been established through private enterprise, and continue under private control except as restrained and regulated by the Government.

The intention of Congress that all who performed the postal service should receive fair remuneration is indicated again and again from the very beginning, as is also the expectation that the system should be self-sustaining. The volume of postal laws published in 1810 which are understood to contain the legislation of 1794 prescribes, among the duties of the Postmaster General:

"He shall provide for the carriage of the mail on all post roads that are or may be established by law as often as he, having regard to the productiveness thereof and other circumstances, shall think proper."

Also, in section 3, that:

"It shall be lawful for the Postmaster General to provide by contract for the carriage of the mail on any road on which a stage wagon or other stage carriage shall be established, on condition that the expense thereof shall not exceed the revenue thence arising."

A very interesting method of pay is quoted in this same paragraph when it says:

"It shall also be lawful for the Postmaster General to enter into contracts, for terms not exceeding eight years, for extending the line of posts and to authorize the persons so contracting * * * to receive during the continuance of such contracts * * * all the postage which shall arise on letters, newspapers, magazines, pamphlets, and packets conveyed by any such posts."

The principle of compensation for any specific service rendered to the Post Office Department has been constantly maintained by the Government from the beginning, and the expression "reasonable and just compensation" is frequently met with. In this respect it has been suggested that the United States Government, recognizing that the national and industrial life was adjusted to the principles of English jurisprudence, accepted the obligation of providing for compensation for services rendered, this view being also in accordance with the spirit of the fifth section of the amendments to the Constitution, which reads:

"Nor shall private property be taken for public use without just compensation."

It might be suggested that if this supreme law restrains the action of the Federal Government where its very sovereignty may be involved, it is all the more controlling where the Government is an agency for the performance of what has become largely a commercial service.

In Great Britain it is observed that the Government pays the railroads for transporting the mails, including the parcel post, an amount equal to 21½ per cent of the total postal expenditures, although the service rendered in Great Britain by the railroads is obviously much less extensive and not nearly so essential as the similar service is in the United States.

In 1838 a law was passed declaring every railroad a post road and authorizing the Postmaster General to have the mails conveyed by rail, provided he can have it done upon reasonable terms, and not paying therefore in any instance more than 25 per cent over and above what similar transportation would cost in post coaches. This shows that an attempt was made to measure the increased value of the service due to the greater speed and regularity to be expected from the railroads as compared with the post coach.

It is frequently suggested that the railroad is benefited by carrying the United States mail because of the protection which the railroad is supposed to obtain from the National Government in case of strikes or labor troubles. In response it might be said that the National Government has not shown a disposition to exert its sovereignty to uphold the regularity of the postal service. The usual course of the National Government is the withdrawal of the mail facilities where there is local disorder or the substitution of some other means of transportation where the disorder affects transportation lines. As recently as October 9, 1912, the General Superintendent, Railway Mail Service, published instructions of the Second Assistant Postmaster General on the subject of railroad strikes. Under the head of "Duty required of postmasters" it is prescribed that the postmaster is expected to cooperate with United States district attorney and advise him in the premises, but not to advise action beyond the scope of his instructions without the approval of the Postmaster General. It is further prescribed:

"He shall require the contracting company to furnish adequate service, and if this can not be done on account of unlawful acts of the strikers, he must report the character of temporary service required and the lowest obtainable rate for such service to the Second Assistant Postmaster General."

It therefore seems to be a fair inference that the sovereignty of the Government in connection with the Post Office Department is almost entirely latent, and that in the few cases where the National Government has intervened because of widespread rioting and disorder and the entire suspension of transportation facilities that the governmental action is more clearly in fulfillment of Article IV, section 4, of the Constitution, which prescribes that the United States shall guarantee to every State in the Union a republican form of government and shall protect each of them against invasion and, on application, against domestic violence, than for the relief of the postal service.

*Conclusions.*—First. It may be held that, strictly speaking, a service rendered to the Post Office Department by a citizen or group of citizens is not customarily performed because of any patriotic obligation. In the case of the railroads the United States Supreme Court has decided that they are not obliged to carry the mails.

Second. It seems evident that so long as the Federal Government monopolizes the carriage of letters—a very essential form of communication—the railroads could not as a rule bear the odium of incommoding the communities dependent upon them by refusing to carry the mails, even though the service was performed at a loss.

Third. It would seem that the monopoly is granted by Congress to the Post Office Department in the interest of all the people and that it carries with it the obligation to serve all of the communities with mail and the avoidance of any oppression upon those whose services are essential in the performance of the duty.

Fourth. The protection to the railroad from carrying the mails in the case of strikes or labor troubles is so remote as not to constitute a valuable factor for consideration. The preservation of order in the community and the prevention or suppression of industrial revolution which interferes with interstate commerce seems to be a more adequate and satisfactory basis for intervention by the National Government.

Fifth. Aside from any cold analysis of the respective rights and obligations, it would seem that the citizens engaged in operating railroads should be as public spirited as other citizens in assisting cheerfully and even enthusiastically in any service that is for the public good. There seems to be no greater obligation upon them than upon their fellow citizens to make unnecessary sacrifices in the exhibition of their public spirit. Even if it could be held that they should go further than their fellow citizens, it must be remembered that the railroads of the country do not constitute one compact system, but many of them are unable to pay dividends and some of them are struggling for existence, even in times of prosperity.

Sixth. Keeping in mind the principle that the Post Office Department is expected to be self-sustaining and not to be a drain upon the National Treasury, it might be advanced that Congress in appropriating money for railway-mail pay is not expending public funds for public purposes in the usual sense, but rather distributing the postal revenues to those who have performed the service in accordance with the value of such service.

Seventh. The development of the postal service in modern times into the commercial field, the recent establishment of the parcel post, and the agitation that is continuing for further extensions in the same direction emphasize the importance of paying adequately for all services rendered, because otherwise certain citizens would be unduly taxed for the convenience and the economy of others.

Eighth. It is a commendable belief that it is the duty of any Government to especially reward those who are faithful or valiant in its service, as an incentive for further effort of the same character and as stimulating patriotism. It seems all the more necessary when the General Government engages in a commercial service that it should not only guarantee adequate remuneration for the work performed but also allow exemplary reward for special facilities.

V. J. BRADLEY.

MARCH 26, 1913.

Mr. Russell H. Snead, manager of express traffic for the Chesapeake & Ohio Railway Co., submitted under oath the following statement:

EXHIBIT A.

Exhibit A shows a comparison of revenues from the transportation of passengers, mail, and express for certain specified years, 1893 to 1912, inclusive, covering a total period of 20 years. In order to avoid burdening the commission with a lengthy statement, which should show the figures in detail for each year, I have shown them for each of the three years 1912, 1911, and 1910, and then beginning with 1908 with five-year intervals. Upon the theory that passenger trains are run primarily for the transportation of passengers, I have shown the ratio of mail and express revenues to the revenue received from passengers for each of the years named, and invite your attention to the fact that while the ratio of express revenue increased from 5.04 per cent in 1893 to 10.64 per cent in 1912, the corresponding ratio for mail decreased from 8.75 per cent in 1893 to 6.74 per cent in 1912, showing that the revenues received from express transportation are, relatively, increasing faster than passenger revenues, while mail revenues are decreasing.

Comparing revenues from the three classes of traffic carried on passenger trains for 1912 with 1893, it is found that passenger revenue increased 133.51 per cent and express revenue increased 393.55 per cent, while mail revenue increased only 79.92 per cent. It should be noted that in the same period of time the operated mileage of the road has increased 75.49 per cent, so that the per cent of increased mileage alone would very nearly account for the increased revenue from mail, even if there had been no increase whatever in the volume of mail matter transported.

It should also be remembered that in the 20-year period the rate of mail pay has twice been reduced.

*Chesapeake & Ohio lines—Comparison of revenues from transportation of passengers, mail, and express for certain specified years, 1893 to 1912.*

| Year. | Passenger revenue. | | Mail revenue. | | Express revenue. | | Per cent of increase 1912 over 1893. | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount. | Ratio of increase over next preceding year here shown. | Amount. | Ratio to passenger. | Amount. | Ratio to passenger. | Passenger. | Mail. | Express. |
| | | *Per ct.* | | *Per ct.* | | *Per ct.* | *Per ct.* | *Per ct.* | *Per ct.* |
| 1912 | $5,505,536 | [1] 0.13 | $371,137 | 6.74 | $586,021 | 10.64 | 133.51 | 79.92 | 393.55 |
| 1911 | 5,512,931 | 10.21 | 371,338 | 6.74 | 536,907 | 9.74 | ..... | ..... | ..... |
| 1910 | 5,002,205 | [1] 2.31 | 360,223 | 7.20 | 450,772 | 9.01 | ..... | ..... | ..... |
| 1908 | 5,120,529 | 47.36 | 395,714 | 7.73 | 407,976 | 7.97 | ..... | ..... | ..... |
| 1903 | 3,474,905 | 77.76 | 368,396 | 10.60 | 245,490 | 7.06 | ..... | ..... | ..... |
| 1898 | 1,954,863 | [1] 17.06 | 321,959 | 16.47 | 133,884 | 6.85 | ..... | ..... | ..... |
| 1893 | 2,356,975 | ..... | 206,281 | 8.75 | 118,737 | 5.04 | ..... | ..... | ..... |

| Year. | Mileage operated on June 30. | Per cent of increase in mileage 1912 over 1893. | Average mail revenue per mile of line. | Average express revenue per mile of line. |
|---|---|---|---|---|
| | *Miles.* | | | |
| 1912 | 2,305.50 | 75.49 | $161.01 | $254.24 |
| 1911 | 2,241.60 | ..... | 165.63 | 239.58 |
| 1910 | 1,938.80 | ..... | 185.78 | 232.60 |
| 1908 | 1,841.30 | ..... | 214.95 | 221.61 |
| 1903 | 1,641.40 | ..... | 224.49 | 149.60 |
| 1898 | 1,453.30 | ..... | 221.58 | 92.14 |
| 1893 | 1,313.92 | ..... | 156.99 | 90.43 |

[1] Decrease.

The figures for the years 1911 and 1912 include revenues and mileage of the Chesapeake & Ohio Ry. Co. of Indiana.

EXHIBIT B.

This table shows a comparison of passenger-train mileage for specified years covering the 20-year period 1893 to 1912, inclusive. As mails are carried on all our passenger trains, this table shows the relative importance of the transportation furnished for the years named and of the revenues received therefrom. Comparing 1912 with 1893, it is found that there was an increase of 84.80 per cent in passenger-train mileage, and of only 79.92 per cent in mail pay. Even if there were no increase whatever in the volume of mail transported, the revenue received from mail did not increase in proportion to the mileage such matter was transported. According to the reports of the Bureau of the Census, the population of the four States in which the bulk of the mail service rendered by this company is performed (Virginia, West Virginia, Kentucky, and Ohio) has increased, 1910 compared with 1890, by 2,390,013. It is a well-known fact that the volume of mail increases much more rapidly, proportionately, than does the population.

*Comparison of passenger-train mileage for certain specified years, 1893 to 1912.*

| Year. | Passenger-train mileage. | Ratio of increase in mileage over next preceding year here shown. | Mail revenue received. | Ratio of increase in mail revenue over next preceding year here shown. |
|---|---|---|---|---|
| | *Miles.* | *Per cent.* | | *Per cent.* |
| 1912 | 4,932,122 | 15.54 | $371,137 | [1] 0.05 |
| 1911 | 4,268,762 | 3.41 | 371,388 | 3.09 |
| 1910 | 4,128,176 | 3.97 | 360,223 | [1] 8.97 |
| 1908 | 3,970,427 | 21.94 | 395,714 | 7.42 |
| 1903 | 3,255,918 | 25.02 | 368,396 | 14.42 |
| 1898 | 2,604,271 | 2.42 | 321,959 | 56.08 |
| 1893 | 2,668,922 | ..... | 206,281 | ..... |

[1] Decrease.

Figures for the years 1911 and 1912 include mileage and revenues of the Chesapeake & Ohio Ry. Co. of Indiana.

Per cent of increase in passenger-train mileage 1912 over 1893, 84.80. Per cent of increase in mail revenue, 1912 over 1893, 79.92.

EXHIBIT C.

This table is introduced as a matter of information and shows the mail revenue received, by years, for the 10-year period—1903 to 1912, inclusive—and the per cent of increase or decrease for each year when compared with the next preceding year.

I have compared the amount of floor space in both full cars and apartment cars devoted to mail use in 1903 with that used for the same purpose in 1912, and find that 949 feet were used in 1903 and 1,398 feet in 1912, an increase of 47.31 per cent. Compare this increase in space used with the increase in revenue, which amounted to only 0.74 per cent, and it will be apparent that mail pay has not increased proportionately to the space occupied in the cars which transported the mails. It should be noted that the above calculation disregards the space in baggage cars in which closed-pouch mail is carried which, if taken into account, would undoubtedly increase the disparity between the space occupied and the pay received.

*Statement showing mail revenue received for years 1903 to 1912, inclusive.*

| Year. | Amount. | Increase or decrease. | Year. | Amount. | Increase or decrease. |
|---|---|---|---|---|---|
| | | *Per cent.* | | | *Per cent.* |
| 1903 | $368,396 | ..... | 1908 | $395,714 | [1] 5.00 |
| 1904 | 372,282 | 1.05 | 1909 | 388,453 | [1] 1.83 |
| 1905 | 393,528 | 5.71 | 1910 | 360,223 | [1] 7.27 |
| 1906 | 423,087 | 7.59 | 1911 | 371,338 | 3.09 |
| 1907 | 416,553 | [1] 1.54 | 1912 | 371,137 | [1] 0.05 |

[1] Decrease.

Figures for the years 1911 and 1912 include revenues of the Chesapeake & Ohio Ry. Co. of Indiana.
Increase 1912 over 1903, 0.74 per cent.
Decrease 1912, compared with 1906, 12.26 per cent.

In 1893 this company owned 8 full R. P. O. mail cars, which cost a total of $38,994, an average of $4,874 per car. In 1903 it owned 8 cars, costing $40,813, an average of $5,102. In 1912 it was necessary to own 15 cars, at a total cost of $102,692, an average of $6,846. It is thus apparent that in the 20-year period, 1893 to 1912, the number of full R. P. O. cars necessary to handle the mail on this line has increased 87.50 per cent, the necessary investment in those cars has increased 163.36 per cent, and the average cost per car has increased 40.46 per cent. Of the 15 cars owned and used on June 30, 1912, only 5 were of the steel type prescribed by the law passed in 1912. These cars cost an average of $9,977 each. The railway companies are required, under the law, to provide none but steel cars by the year 1917. Assuming that there will be no increase in the cost of the cars and that no more cars will be necessary at that time than are now in service, this company's investment in R. P. O. cars will be $149,654, an increase in investment on full R. P. O. cars alone, when compared with 1893, of nearly 284 per cent. This calculation disregards apartment cars entirely, and by far the greatest number of cars in mail service on this line are apartment cars.

The Postmaster General's report to Congress, which gives the results of his inquiry into operations, receipts, and expenditures of railroad companies (H. Doc. No. 105), shows 32 mail routes on the Chesapeake & Ohio Railway, of which number 16, or 50 per cent, carry the lowest average daily weight recognized in the department's classification (200 pounds or less), and, therefore, receive the lowest pay, $42.75 per mile per annum.

There are 3 routes on which 200 to 500 pounds are carried daily, 6 on which 500 to 1,000 pounds are handled, and 1 on which 1,000 to 1,500 pounds are carried. It thus appears that 26 out of 32 mail routes handle only the lowest four classes of mail weights. The following table shows the classification according to average daily weights carried and the number of routes in each class:

| Classification: | Number of routes. |
|---|---|
| 200 pounds and less | 16 |
| 200 to 500 pounds | 3 |
| 500 to 1,000 pounds | 6 |
| 1,000 to 1,500 pounds | 1 |
| 1,500 to 2,000 pounds | 1 |
| 2,000 to 3,500 pounds | 0 |
| 3,500 to 5,000 pounds | 1 |
| Each additional 2,000 pounds above 5,000 pounds and less than 48,000 pounds | 4 |
| Each additional 2,000 pounds in excess of 48,000 pounds | 0 |
| Total | 32 |

Of the total car-foot mileage made by the first four classes above shown over 91 per cent was made in apartment cars, for which no R. P. O. car pay was received, the remainder being closed-pouch mail.

In order to allow for mail carried in closed pouches the Postmaster General's report states that for weights of 100 pounds or less 6 linear inches were allowed; over 100 pounds and not over 200 pounds, 10 inches; above 200 pounds, 5 linear inches were allowed for each additional 100 pounds. Upon that basis he arrived at the car-foot mileage of closed pouches. The car-foot miles made in each character of service on the Chesapeake & Ohio Railway for the month of November, 1909, were as follows:

| Character of service. | Car-foot miles. | Per cent of total. |
|---|---|---|
| Railway post-office cars | 4,314,687 | 60 |
| Apartment cars | 2,604,008 | 36 |
| Closed pouches | 123,367 | 2 |
| Deadhead space | 167,336 | 2 |
| Storage space | | |
| Total | 7,209,398 | 100 |

From the above table it is apparent that 40 per cent of the total car-foot mileage made in November, 1909, was paid for on a weight basis only. That is to say, that no pay was received for space provided in apartment cars, for dead-head space, or for space occupied by closed pouches.

Many of the requirements of the postal laws and regulations impose very considerable hardships upon us by requiring services other than transportation, a number of which cause additional expense and labor. For example, this company is required to carry the mails between post offices and stations at 336 places for which no additional compensation is received; we are required to set mail cars for advance distribution of mails at 13 places (at some of them for as many as 6 trains per day), at periods varying from about one hour to four hours in advance of the departure of trains. The placing of these cars sometimes necessitates an extra switch, requiring the services of an engine and switch crew. The usual charge for switching freight cars varies from $1 to $5 per car, but no compensation whatever is received for the additional switching service performed in the case of mail cars.

In addition to the services above named, baggagemen and station employees who handle mail are required to keep records of mail pouches received and dispatched, to report any and all shortages of pouches due, and to report and explain all irregularities in the receipt or dispatch of mail, which requirements frequently cause much telegraphing and correspondence between railway employees and officials, and also between railway and post-office officials.

It is respectfully submitted that the performance of the incidental and accessorial services to which attention has been called without additional compensation therefor is unjust and unfair to the railway company.

R. H. SNEAD.

Thereupon (at 5 o'clock p. m.) the hearing adjourned to meet at the call of the chairman.

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# RAILWAY MAIL PAY.

TUESDAY, APRIL 8, 1913.

COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The hearing was resumed, at the call of the chairman, at 10.30 o'clock a. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Hon. Harry A. Richardson, and Representative William E. Tuttle, jr.

## STATEMENT OF MR. JAMES PEABODY.

The CHAIRMAN. Kindly state your full name, residence, and the official capacity in which you appear before the committee this morning, if any?

Mr. PEABODY. James Peabody; 68 years of age. I reside in Chicago. I am statistician of the Atchison, Topeka & Santa Fe Railroad.

The CHAIRMAN. How long have you been statistician for that system?

Answer. Since 1896.

The CHAIRMAN. You are familiar with what is known as House Document 105?

Answer. Somewhat so.

The CHAIRMAN. Are you familiar with the modified suggested plan of ex-Postmaster General Hitchcock of the substitution of space for weight in the determination of the value of the service rendered in railway mail pay, as set forth in my preliminary report to the joint committee on postage on second-class mail matter and compensation for the transportation of mail, page 109, as transmitted by Mr. Hitchcock to this joint committee on January 20, 1913?

Mr. PEABODY. I have read this proposed law but have not analyzed it sufficiently to say that I would be familiar with it.

The CHAIRMAN. Will you give the committee your views relative to an equitable basis of compensation on the part of the Government to the transportation companies of this country for railway mail pay and R. P. O. service?

Mr. PEABODY. My investigations have gone rather to the demonstration of what we believe to be a fact, that the railway mail pay as at present adjusted is not compensatory to the railroads. I have not given the subject sufficient thought to be willing to suggest any plan by which that pay should be increased, but only that it ought to be increased in some way.

The CHAIRMAN. Your reasons being, for the latter statement, what?

Mr. PEABODY. That we are able to show that the amount of money which we receive for carrying the mail on the Santa Fe road is not compensatory?

The CHAIRMAN. The Santa Fe represents what mileage?

Mr. PEABODY. Somewhat over 10,000 miles of road.

The CHAIRMAN. By the Santa Fe system, you mean all the branch lines and every other road affiliated with the system?

Mr. PEABODY. All the property owned by the Santa Fe Co. over which mail routes run.

The CHAIRMAN. Will you kindly proceed with the demonstration?

Mr. PEABODY. The report of the Postmaster General in Document 105, as to the compensation allowed the roads, proceeds to determine for each road the amount of expense attaching to the mail service. It does that for the purpose of showing that the service is compensatory. In the outset the report says:

In the determination of a basis for the apportionment of the remaining or nonassignable expenses of operation it was important that the method used be sound and equitable.

Perhaps I had better read before that the few preceding sentences:

In determining the method of separating the operating expenses to the passenger and freight traffic the suggestions and deductions of the railroad commission of Wisconsin set forth in its decision in the case of A. E. Buell *v.* The Chicago, Milwaukee & St. Paul Railway Co., decided February 16, 1907, have been made use of, and with the exceptions hereinafter noted the several items of operating expenditures have been divided in accordance with the conclusions reached in that decision. The operating expenses were reported by the companies in accordance with the classification of operating expenses for steam roads issued by the Interstate Commerce Commission, effective July 1, 1907, and amended July 1, 1908, comprising 116 accounts for the large roads and 44 accounts for the small roads arranged under the general headings of the classification, namely: "Maintenance of way and structures," "Maintenance of equipment," "Traffic expenses," "Transportation expenses and general expenses." Assignments and apportionments thereof were made according to the basis adopted. For this purpose Form 2608 was utilized, a copy of which accompanies this report.

Assignments were made directly to passenger and freight traffic and in some instances to the mail and express services of such account totals and such parts of accounts as were reported by the companies as being actually expended in each class of service. Approximately 12 per cent of the total maintenance of equipment expenses and 25 per cent of the total transportation expenses were so assigned.

In the determination of a basis for the apportionment of the remaining or nonassignable expenses of operation it was important that the method used be sound and equitable. The bases used by railroads for the distribution of nonassignable operating expenses are revenue train mileage, revenue car mileage, locomotive (including switching) mileage, the revenue, and the cost percentages of direct charge accounts.

It would appear from the reading of the method so far that the Wisconsin basis was used for the division of the expenses by the Postmaster General in his report and he objects to the use of the revenue train mileage basis, and as a foundation for that objection he quotes as follows from the decision of the Wisconsin commission:

The revenue train-mile is the unit of work done in hauling trains between terminals, and it is the most direct unit of cost. That is, the passenger revenue train mileage is the most direct unit of those expenses which depend upon the same, and the freight revenue train mileage is the most direct unit of those

expenses which depend upon this mileage. This is an important distinction, for the passenger train mileage differs materially in cost as well as in many other respects from the freight train mileage. * * * They evidently assume that passenger and freight train mileage stand for substantially the same thing, and that this is the proper unit of all expenses. Even a superficial analysis of the facts will show that this is not the case.

The CHAIRMAN. That is the decision of the Wisconsin commission?

Mr. PEABODY. The decision of the Wisconsin commission.

The CHAIRMAN. Which the ex-Postmaster General presents and indorses in his presentation, I take it?

Mr. PEABODY. And which he quotes there to show that the revenue train mileage is not the proper basis of division between freight and passenger.

The CHAIRMAN. What are your comments in reference to that?

Mr. PEABODY. The trouble with that quotation is he leaves out a very important part of that paragraph which does not refer to the division between freight and passenger at all; it refers to the division of expenses—that is, it refers to the apportionment of expenses to the space as related to the entire line. They are condemning the use of revenue train mileage for the division of expenses of the entire line, or for the apportionment of the expenses of the entire line to that part of the line which is in Wisconsin.

The CHAIRMAN. At this point of the proceedings, in accordance with the practice at the last hearing, I will swear the gentlemen who are present, in order that they may participate in a general discussion, which procedure will bring out any salient points which may occur to them.

Thereupon the following gentlemen were sworn by the chairman:

Archibald H. Rowan, assistant to vice president, traffic department, New York Central Lines.

John Hurst, assistant comptroller, Pennsylvania Lines West of Pittsburgh.

J. P. Lindsay, manager mail traffic, Atchison, Topeka & Santa Fe Railway system.

W. C. Wishart, statistician of the New York Central Lines.

V. J. Bradley, general supervisor of mail traffic of the Pennsylvania Railroad system.

Albert Noble Prentiss, clerk, Post Office Department.

C. H. McBride, Superintendent Division of Railway Adjustments, Post Office Department.

Mr. PEABODY. I was just beginning to say that he quotes from the decision of the Wisconsin commission in the Buell case and has omitted a very important sentence in the middle of the quotation, which sentence shows that the revenue train mileage, to which the quotation refers and which is condemned by the sentence, did not refer to the division of expenses between freight and passenger at all but to the division of expenses of the line as between Wisconsin and the balance of the line. I will read it with the omitted sentence:

The revenue train mile is the unit of work done in hauling trains between terminals, and it is the most direct unit of cost. That is, the passenger revenue train mileage is the most direct unit of those expenses which depend upon the same, and the freight revenue train mileage is the most direct unit of those expenses which depend upon this mileage. This is an important distinction, for the passenger train mileage differs materially, in cost as well as in many other respects, from the freight train mileage.

This is the part he has left out:

Some roads apportion all of the operating expenses through the State in which they run in the proportion which the total passenger and freight train mileage in each State bears to the total passenger and freight train mileage for the whole line. They evidently assume that passenger and freight train mileage stand for substantially the same thing, and that this is the proper unit of all expenses. Even a superficial analysis of the facts will show that this is not the case.

The Postmaster General has used that paragraph to condemn the train mileage feature for the division of freight and passenger, whereas the report shows, and as it specifically states, it is condemned for the use of the expenses as between Wisconsin and the balance of the line and has no relation whatever to the division of expenses between freight and passenger.

The CHAIRMAN. Do you agree, Mr. McBride, in reference to Mr. Peabody's comment just made?

Mr. MCBRIDE. Senator, I hardly feel prepared to enter into a discussion of this matter on such short notice. I have no data with me or anything of any kind, and I fear I would be at a great disadvantage in discussing the matter with Mr. Peabody, under the circumstances.

The CHAIRMAN. You have had two years' study of this, and you were one of the committee that were sponsors for what is known as Document 105?

Mr. MCBRIDE. I worked on it, yes, sir; as one of the members of the committee.

The CHAIRMAN. There was an administrative committee formed, appointed by the Postmaster General, and, as I understand Document 105, representing the compilation and tabulation of information submitted by the railroads, was under that committee's direction.

Mr. MCBRIDE. Yes.

The CHAIRMAN. Then I fail to see why you are not prepared, Mr. McBride, to enter into a joint debate, if you please, in reference to the findings in that document.

Mr. PEABODY. To show that that reference is correct, the paragraph immediately preceding states:

By some of the roads this distribution among the States is made in proportion to the revenue train mileage in each State.

Then it discusses that and condemns it, as I have read, but, as I have stated, and it so states in the text itself, it relates to the division as between the State and the balance of the line.

Mr. LORENZ. Would you say that the Buell decision approved the revenue train mileage basis for the division between freight and passenger?

Mr. PEABODY. No; not altogether.

Mr. LORENZ. It partly condemned it, did it not?

Mr. PEABODY. I will come to that later. I am merely starting out to show that the apparent condemnation of the train mileage basis for the division between freight and passenger is not authorized by the decision, and it is misquoted and the quotation mutilated, I do not know for what purpose, but it has the effect of showing the opposite meaning from what it actually carries.

The CHAIRMAN. Your comments in reference to the quotation in Document 105 and your elucidation of that quotation refer par-

ticularly to the Wisconsin Railroad Commission Report, volume 1, July 20, 1905, and July 31, 1907, pages 388 and 389.

Mr. PEABODY. That is right. In response to the question of Mr. Lorenz I would say that the Wisconsin commission does not approve the use of the revenue train mileage on the division of the unassignable expenses under all accounts. It does use that basis for some of the accounts and does not condemn it for that use in any place.

The CHAIRMAN. Let me ask you if it is your opinion that the revenue train mileage is the correct yardstick, if you please, for the apportionment of accounts between freight and passenger?

Mr. PEABODY. If you are compelled to use only one yardstick for all of the accounts and can not use a separate yardstick for the various accounts, then the revenue train mileage, in my opinion, is the best basis for what are known as the common or unassigned expenses incident to the operation of a railroad.

The CHAIRMAN. What have you to say in reference to that, Mr. McBride?

Mr. MCBRIDE. We were of the opinion that the direct-charge accounts provide a more competent basis for the distribution of the common expenses.

Mr. PEABODY. May I ask a question there?

The CHAIRMAN. If you will, yes.

Mr. PEABODY. What do you mean by the "direct-charge accounts"—those that are absolutely assignable to the freight and passenger, without any division?

Mr. PRENTISS. The direct-charge accounts as used by the Post Office Department represent those accounts which are essential to the conduct of railroad transportation. They represent, in accordance with the Wisconsin commission's report, the accounts for equipment repairs and the transportation accounts absolutely essential for the operation of passenger trains. I will say that the principal accounts can be actually divided, so that besides representing the railroad business they also represent the assignable expense to a great extent.

Mr. PEABODY. Which can be divided how—that is, naturally divided as between freight and passenger?

Mr. PRENTISS. Yes. It was also the intention of the department in handling the division of expenses never to divide on an arbitrary basis, but to get direct-charge percentage on which to divide the nonassignable accounts.

Mr. PEABODY. May I ask if you will name some of those accounts that can be thus divided without the use of an arbitrary?

Mr. PRENTISS. With the exception of the Atchison, Topeka & Santa Fe Railroad, the accounts in transportation embracing road enginemen, road trainmen, and fuel for road locomotives, which comprise approximately 30 per cent of the transportation expenses, were assigned by the railroad companies in every case.

Mr. PEABODY. Were assigned by the railroad companies?

Mr. PRENTISS. On other reports.

Mr. PEABODY. I understand you to say that it was the assignment by the Post Office Department?

Mr. PRENTISS. The department assigned nothing.

Mr. PEABODY. The assignments by the railroad companies were on arbitraries, were they not?

Mr. PRENTISS. Not so far as the department was aware.

Mr. PEABODY. Will you tell me how you can divide fuel for locomotives, except on an arbitrary basis, and water for locomotives?

Mr. PRENTISS. That, I believe, is a question for each railroad to determine. We were not in position to determine that.

Mr. PEABODY. The only reason I am asking this question is a large part of the accounts divided by the department are divided upon the direct-charge accounts. I am unable to find anything coming under your definition of direct-charge accounts except the repairs to passenger cars, repairs to freight cars, loss and damage to freight, loss and damage to baggage. I think those are all of the accounts that divide themselves. Others have to be divided on an arbitrary of some kind and consequently are not direct-charge accounts.

Mr. PRENTISS. I have one case in mind, that of the New York, New Haven & Hartford Railroad Co., where their fuel expenses are absolutely divided by means of fuel vouchers which they use, according to their own statement.

Mr. PEABODY. Do you know how they divide it on those vouchers? Our fuel is absolutely divided, but it is divided on an arbitrary basis just the same. What I want to bring out is what you would have for direct-charge accounts on which you base most of your divisions?

Mr. PRENTISS. What we intended to secure by the direct-charge percentage on which the division was made was a percentage which would represent the ratio of actual operations between passenger and freight, the cost of the operation.

Mr. PEABODY. And if there are no accounts or practically no accounts except those that are mentioned that divide themselves directly, then your basis is not competent, is it?

Mr. PRENTISS. It is competent in this respect: That it represents an item for passenger and freight cost which is reported by the railroad companies to the department as actually expended for those two items.

Mr. PEABODY. And if those items, or those four accounts which are thus selected directly, comprise not more than about 15 per cent of the total expenses, would you consider that a proper basis for the division of the other expenses?

Mr. PRENTISS. I think the equipment repair accounts and the three transportation accounts named represent in the minimum about 37 per cent.

Mr. LORENZ. Do you not think that we ought to recognize that there are perhaps three kinds of expenses rather than the two which I think you have in mind? You have mentioned those which are naturally and directly assignable without question, but I think there is a second class that is apportionable with reasonable accuracy and not with so much uncertainty as maintenance-of-way expense. It is those two classes together that the Post Office Department used, I think.

Mr. PEABODY. You and I are in perfect harmony on that. There are a large number of accounts that can be accurately divided.

Mr. LORENZ. So that I think the Post Office Department's direct-charge method is not open to the criticism you have just made—that it is misleading because there are only so few accounts that are directly assignable.

The CHAIRMAN. Do you concur with Mr. Lorenz's suggestion there, that the criticism of the Post Office Department's assignabilities here are not exactly fair?

Mr. PEABODY. No. What I wanted to ascertain, and my questions were directed to ascertaining, was what items were called the direct-charge accounts in their assignments and the answer was that it was those accounts that divided themselves or could be directly allocated, and in such case I merely called attention to the fact that they were very few in number. If, in addition to that, the gentleman means to say that these accounts which could be allocated upon a fair and reasonable basis were also included as a direct-charge account, I am perfectly willing to accept that, if that is the case, but that was not his answer.

The CHAIRMAN. These allocations would depend on the individual who makes them?

Mr. PEABODY. No. You can tell just what accounts can be directly allocated without any opinion at all.

The CHAIRMAN. Is there a rule laid down, either by the Interstate Commerce Commission or by the railroads themselves, so that there is a general system as to the allocation of accounts, which is a universal agreement?

Mr. PEABODY. There was a rule laid down by the Interstate Commerce Commission, up until 1893 and it was then abandoned. Not being absolutely sure for the reason for its abandonment I will not state anything about why it was abandoned. But that was the revenue train mileage which was abandoned in 1893 by the commission and the railroads were no longer required, as they had been before that, to make up their expenses on the basis of that division.

The CHAIRMAN. That discontinuance would tend to prove, would it not, so far as the Interstate Commerce Commission is concerned, that their opinion in 1893 was against the revenue train mileage as a yardstick?

Mr. PEABODY. I do not know whether that was their opinion or not. It was the opinion of the statistician of the Interstate Commerce Commission; I will say that. Whether it was with the other gentlemen or not, I do not know.

The CHAIRMAN. The discontinuance took place in 1893?

Mr. PEABODY. It was discontinued at the solicitation of the railroad officials and not at the instance of the Interstate Commerce Commission.

The CHAIRMAN. I understood you to say a little while ago that, in your opinion, if there was only one yardstick to be used that was the best yardstick that could be used.

Mr. PEABODY. I still maintain that position.

Mr. LORENZ. I would like to ask whether you happen to know, approximately, the relative weights of passenger locomotives and freight locomotives on your system?

Mr. PEABODY. I have in my office the weight of every separate locomotive on the system.

Mr. LORENZ. Would you say that the freight locomotive was considerably heavier than the average passenger locomotive?

Mr. PEABODY. With the exception of one class of locomotives which we use on the mountain divisions, Mallet compounds, which we use

almost exclusively for freight, all of our other engines we use interchangeably. One is not heavier than the other. Our passenger trains are so large as to require the heaviest locomotives we can run.

Mr. LORENZ. Would you say that was generally true of the railroads of the United States?

The CHAIRMAN. What is generally true—difference in weight?

Mr. LORENZ. My impression is that the freight locomotives are about 50 per cent heavier than the passenger locomotives, on the average. That is at least indicated by the relative locomotive tractive power as reported by the Pennsylvania Railroad Co.

Mr. PEABODY. The locomotive tractive power does not indicate the weight of the locomotive with any degree of accuracy.

Mr. LORENZ. But it would at least indicate that the average weight of a freight locomotive was much heavier than that of a passenger locomotive?

Mr. PEABODY. I am not able to say as to the United States whether the average is larger. I should imagine, from my general knowledge of the subject, that the freight locomotives are heavier, on an average, but that is altogether supposition.

Mr. LORENZ. And with respect to the weight behind the tender, is it not true that the freight train weighs a great deal more than a passenger train?

Mr. PEABODY. That is true.

Mr. LORENZ. So that on the whole you have a freight train representing something entirely different from a passenger train, and the question arises whether the difference in weight is offset by the difference in speed.

Mr. PEABODY. I think if Dr. Lorenz will permit me to answer that question we will get into a discussion which is now going on between the Interstate Commerce Commission and a great many students of the whole subject, with the idea of formulating a proposition that will be more accurate than anything we have at present, revenue train mileage or anything else. I want to say that the revenue train mileage is not an accurate basis for division. I am perfectly willing to state that at the outset, and we on the Santa Fe road use it only where it is absolutely necessary and where we can find no other basis that is better. We do not use revenue train mileage on all unassignable accounts by a great deal, but it is used on a great many railroads, and, as I stated, where you can only use one yardstick, where that is the only yardstick possible to use, then I believe the revenue train mileage is the best yardstick; that is, it will produce the results that are nearest to being accurate than any other yardstick that I know of at present or that has been suggested so far. Let me explain there what I mean. The Post Office Department labored under great difficulty, and I only wonder that they produced as good a result as they did. In the majority of their accounts they only had the sum total of the amount charged against any particular primary account. For instance, station agents. They knew that there were so many dollars charged for station service, and they had no way of dividing that except by applying their yardstick, whatever they used, to that total amount of station service. There is a great deal of that station service, when you come down to the units of the service, which naturally divide themselves as between freight and passenger. Some men at the station work entirely on freight, and

some men at the station work entirely on passenger business, and baggagemen work in a great many stations on the passenger business, but all that is included in the one item of station service.

Now, if you are going to apply a yardstick to that station service, I think the revenue train mileage is the best yardstick you can apply; but the railroads, going back to the units present in that item under station service can apply a great deal better yardstick to that item. Our yardstick for that particular account is that we require our division superintendents to visit every station on the division and, in conjunction with the agent, determine how much time of each separate man at that station is devoted, respectively, to freight and passenger service, and that man's pay is divided on each individual voucher each month and charged against freight and passenger, respectively.

The CHAIRMAN. You do not pay him two vouchers?

Mr. PEABODY. No. He is given one voucher. The pay of each man is divided under that rule.

The CHAIRMAN. But the voucher itself is for the month's pay, regardless of whether 50 per cent of his time, or 60, 70, or 80 per cent was for passenger and the remainder for freight?

Mr. PEABODY. That is true. The railroad says, "John Smith, $50," but that $50 is divided so much for freight and passenger. The next will be "Peter Jones, $70," and that is divided, and so on, throughout the entire road.

The CHAIRMAN. Your idea being, as I take it, that you want the passenger service to be self-supporting and the freight service self-supporting?

Mr. PEABODY. The idea being to ascertain just how much each cost, if we can, with the ultimate idea of finding out which service is profitable. That is why I said if we are going to apply only a single yardstick—if we are compelled to apply a single yardstick—which, in a large measure, the Post Office Department was compelled to do, then I believe the revenue train mileage to be the best yardstick for that part of the expense that is not assignable.

The CHAIRMAN. Mr. Lorenz, conceding that your contention is correct, that the freight engines and freight trains are heavier than the passenger engines and passenger trains, what would you expect to prove by it?

Mr. LORENZ. I would expect to prove that the freight department should bear a little more expense than is indicated by the freight-train mileage as compared with the passenger-train mileage. For example, I have in mind one road in which the relative freight and passenger train mileage would assign 44 per cent, or more, of the common expenses to the passenger service; but on that road nearly nine-tenths of the cars running over the tracks are freight cars, and it does not seem right under those circumstances to make the passenger department bear nearly half the common expenses when they run only one-tenth of the cars over the track. I am not inclined to say that you should therefore reject the revenue train-miles altogether. There are certain accounts in which it is the proper basis, but I do think that as a single measure for all maintenance-of-way accounts it is unfair to the passenger department.

The CHAIRMAN. And your idea is that mail being part of the passenger service, a fair apportionment of expense should be arrived at

between freight and passenger and then between general passenger service, specifically the mail service?

Mr. LORENZ. Yes, sir.

Mr. PEABODY. There is no doubt about that proposition, Senator. May I ask Dr. Lorenz this question: Have you taken into account in that estimate the extra expenses incident to the maintenance of the track suitable for passenger as compared with freight; that is, the refinements of the track which are necessary for the passenger business and which are very costly? Have you taken that into account when you say that because of the extra number of cars in the freight business it should be charged with other proportions?

Mr. LORENZ. I think that that is a feature that must be considered, especially on some roads. I think that is something that would vary on different roads, probably. I have in mind a recent study of the Buffalo, Rochester & Pittsburgh, where a division, according to the revenue train mileage, shows the passenger department to be unprofitable, but one of the editors of the Railway Age, in making a special study of that system, thinks that, considering the nature of the passenger traffic and the nature of the freight traffic, the passenger traffic should not be charged with anything extra on account of the reasons which you state.

Mr. PEABODY. May I ask who that editor is? Is it Mr. Dunn?

Mr. LORENZ. No, sir.

Mr. PRENTISS. Mr. William E. Hooper.

Mr. PEABODY. Did Mr. Hooper ever have a day's experience in railway service?

Mr. LORENZ. I do not know.

Mr. PEABODY. I am afraid his opinion on that subject would not stand criticism. Now, we have some idea of what is meant by the expression of the department with regard to direct expenses, and I want to refer to this quotation which is taken from the first Wisconsin report, on page 398. The reason for using this basis of separation is given in the decision of the railroad commission of Wisconsin:

> That all indirect costs and general expenses which are common to all departments and contracts should be apportioned between them in proportion to the direct expenses or to some part of the direct expenses, such as the cost of either labor or material, or both. As to which one of these bases should be applied is a matter that depends on the conditions in each case.

The only trouble with that quotation is that it does not refer to the railroad operation at all, but is a quotation from the discussion of manufacturing cost accounting referred to in the decision and has no possible relation to railroad accounting. The decision is discussing manufacturing costs. It speaks about the way in which that cost accounting in manufacturing is carried on. I will read the whole paragraph from which the quotation is taken:

> But this is not the only puzzling question. It is also necessary to ascertain the amount of the total operating expenses that can be fairly charged to the traffic in the State. Each railway system is operated as one unit and without any reference to State lines. Many of the current expenses can be, and often are, kept by operating divisions. When these divisions are located wholly within one State, a part of the expenses of the traffic of that State can, to that extent, actually be kept apart. But when the division crosses State lines, no direct separation is possible. It appears from this that the greater proportion of the expenses must be distributed between the States in some arbitrary manner.

Three or four pages before and after that are taken up with a discussion of cost accounting as applied to manufacturing, and then the

decision concludes that "if cost accounting as thus applied to manufacturing is feasible and been used by the manufacturers of the United States with profit and with good results the same thing certainly should be applied to railroads," but that quotation has no reference to any railroad account whatever, and is entirely referring to the matter of cost accounting in manufacturing. Besides, it is to be said that under the maintenance of way account 1, 2, 3, 7, and 90 per cent of 8 and various other accounts under the maintenance of way are alleged to be divided on the basis of the Wisconsin commission.

The CHAIRMAN. Reading from page 9 of Document 105, this reference that you have just made, I take it?

Mr. PEABODY. Yes. The trouble with that statement on page 9 is that the Wisconsin commission did not use that basis at all in their division of maintenance of way expenses, but they used 90 per cent on the percentage that the passenger and freight operating revenue bears to the total operating revenue and 10 per cent on the percentage that the passenger and freight train mileage, including switch train mileage, bears to the total train mileage. In other words, they divide all those accounts on a revenue basis and not on a direct charge account.

The CHAIRMAN. That is, the Post Office Department did in their deductions, or the Wisconsin commission?

Mr. PEABODY. No. They assumed to follow the Wisconsin method here.

The CHAIRMAN. But they did not do it?

Mr. PEABODY. They did not do so. The Wisconsin commission did not use the direct charge accounts, but they used the revenue basis for a great portion of it—90 per cent of superintendence, of ballast, 66⅔ of ties, which are the large items, were divided on the revenue basis and not on the direct-charge basis at all.

The CHAIRMAN. What have you to say in reference to that, Mr. Prentiss?

Mr. PRENTISS. The Wisconsin commission, on another page of their decision, make the specific division just as we have it here, and cite the statistician of the Pennsylvania Railroad and some others as authorities for the use of those percentages. I will say relative to the Wisconsin commission and the way they handled the accounts, that they stated that in handling a specific account that this account should best be divided on the basis of the direct-charge accounts, but the railroad company has divided it on train mileage. The commission ascertained the division by train mileage, by direct-charge ratio, and by revenue, and the difference between the results of dividing on the revenue basis and on the direct-charge basis is to small that they divided it on the revenue accounts. They handled it as a judge would handle a case, citing all the different opinions, and then they showed the division.

The CHAIRMAN. That is, the Wisconsin commission did?

Mr. PRENTISS. Yes. But that did not amount to much in dollars. They chose a division that would be acceptable to the railroad company. The department handled it according to the proposition laid down by the Wisconsin commission in that case, that the direct-charge ratio was the proper percentage to use for the division of certain accounts and based on the percentages as shown there by the statisticians and authorities.

Mr. PEABODY. Let me read exactly what the commission says in their decision, referring to the final division under maintenance of way for Wisconsin:

While the facts thus indicate that we would be justified in adopting the apportionment to the State which was made by this commission and in distributing that part of the expenses between passenger and freight which depends on depreciation on the basis of the direct expenses, the situation, when considered as a whole, is such that it is undoubtedly fairest to all concerned to adopt the company's apportionment to the State and to apportion those costs which are due to depreciation on the basis of the gross earnings.

That is what they say, and that is the way they did.

Mr. PRENTISS. That is their decision in regard to that case?

Mr. PEABODY. They say it is undoubtedly the fairest. This assumes that the commission used the other basis. That is what I am objecting to.

The CHAIRMAN. By "this" you mean the department's statement as represented on page 9 of Document 105?

Mr. PEABODY. Yes. Coming down to account No. 25, on page 9 of Document 105, which relates to steam locomotives and so on, repairs to locomotives under the general head of maintenance equipment, the Wisconsin commission used the locomotive mileage basis for the freight and passenger, respectively, of the locomotives engaged in that service. The department says:

It was found that the locomotive mileage, although used by some companies as a basis for apportionment of these accounts, was too high for the passenger traffic and was in many cases unobtainable. The train mileage was higher for passenger service than the locomotive mileage, and the car mileage or cost of car repairs was too low a basis for division when the passenger traffic was considered.

That would seem to indicate that if the result reached by the application of the most logical method, such as the mileage of the locomotives which were undergoing repairs, produced what, in the opinion of the department, was too high and abandoned it they would take some other method. Certainly there is no better basis for apportioning repairs to locomotives than mileage made by the locomotive, and that is the universal basis established by all railroads. On the Santa Fe road we assign to those locomotives that are exclusively passenger their repairs to passenger accounts, and the repairs on freight engines are assigned to freight accounts, but a majority of our locomotives do both freight and passenger service, and when the repairs are made they have to be divided between passenger and freight on some basis and the respective mileage made in passenger and made in freight is certainly the proper divisor, but because that made too high a charge to the passenger department they abandoned that.

Mr. PRENTISS. It appears on the face of it as though the department used its own discretion, but the facts were that there was before the departmental committee a series of statistics of a great many roads which had actually divided locomotive repairs between passenger and freight.

Mr. PEABODY. On that same basis?

Mr. PRENTISS. No. But had actually been able to divide the cost of repairs. Their repair shops were so separated that they were actually able to assign to passenger and freight the locomotive repairs. By taking the amount and applying the percentage, which we could easily do for those roads—the locomotive mileage, train mileage

and so on—we ascertained that they were not in accord with the actual facts as reported by the roads for actual expenses, but that the direct charge costs, as we showed here, were very close, within 1 or 2 per cent of the actual facts, and consequently we used the percentage which would bring the proper result.

Mr. PEABODY. And because some roads made errors in that respect you applied that to all roads?

Mr. PRENTISS. We had to have some general basis, of course.

Mr. PEABODY. I had to take the basis, as you stated it here, and I had no other means of knowing. As I have already stated, the department did a magnificent piece of work in doing this under the conditions under which they worked. They are entitled to a great deal of credit for the work that they did in regard to this division between freight and passenger; there is no question about that, but in the first place the men who were doing it, as I supposed, were not experienced railway men. I do not know that that is a fact, but I have understood that to be a fact. They also certainly did not have access to the unit charges which in most cases would determine what is the proper basis, and the result is that the conclusion they reached is wrong and we are asked to stand by that wrong result, and that is why I am questioning this report. I do not want to stand by that result. So far as the Santa Fe is concerned, we sent you our basis of division, showing how every account was divided, but you did not use it.

Mr. PRENTISS. As I remember it, the Santa Fe only assigned a very few expenses in their report to the department. I think it is only those expenses which you enumerated which you assigned. I think fuel, road enginemen, and road trainmen were not assigned.

Mr. PEABODY. In response to a request of the commission?

The CHAIRMAN. That is, the Post Office departmental commission?

Mr. PEABODY. In response to the request of the Post Office Department, accompanied by a blank which we had to fill out, certain information was requested. We filled that blank out strictly in accordance with that request, and that did not permit of any division. We had to put it that way. We were not allowed under that to make any division, but accompanying that we sent you our formula, which was very elaborate and very complete, which takes up every account separately and first assigns every expense to the exact operation of the road on which that expense was incurred, dividing it between main and branch lines and between divisions. After using it in that way we apportion it between freight and passenger on the various bases which are outlined and set forth with great particularity in this statement, and this was sent you.

Mr. PRENTISS. I do not remember that we ever received it. We would have considered it if we had received it.

Mr. PEABODY. We have your acknowledgment of it.

Mr. PRENTISS. I do not recall any specific statement from the Atchison, Topeka & Santa Fe Railroad Co. giving a basis for each specific account.

Mr. PEABODY. Thinking perhaps the commission would like that apportionment I have drawn off our apportionment so far as it relates to the passenger and freight part of it. Dr. Lorenz has that full statement.

The CHAIRMAN. Now, your idea for submitting this apportionment is that it will be illuminating in reference to the discussion now going on and should be inserted in the record at this place?

Mr. PEABODY. I think it should be inserted in the record at this place to show the basis used by us. That, of course, only relates to the division as between passenger and freight and does not relate to the division as betwen different operations of the road.

ATCHISON, TOPEKA & SANTA FE RAILWAY SYSTEM.

METHOD OF DISTRIBUTING OPERATING EXPENSES.

All items of expenditure comprised in the 116 primary accounts, among which by direction of the Interstate Commerce Commission all railroad operating expenses are distributed, are allocated to the exact operating division (subdivided as between main and branch line) upon which the expense was incurred, the common items, such as salaries of general officers and others having to do with more than one division, being prorated on mileage basis. Each of these items is also apportioned as between freight and passenger expenses upon the following formula, which is condensed from the "Working memorandum" covering this distribution.

MAINTENANCE OF WAY AND STRUCTURES.

Accounts 1 to 15, inclusive, are denominated common and apportioned on the basis of revenue train mileage.

Accounts 16 and 17. Allocated as far as possible; unallocated items treated as common and apportioned on the basis of revenue train mileage.

Accounts 18 to 21, inclusive, are treated as common and apportioned on the basis of revenue train mileage.

Accounts 22 and 25. Allocated where possible; unallocated treated as common and apportioned on revenue train mileage.

MAINTENANCE OF EQUIPMENT.

Account 24. Treated as common and apportioned on the final assignment of repairs as between freight and passenger.

Account 25. (*a*) Road locomotives, allocated on the basis of assignment to service; (*b*) yard locomotives, allocated on the basis of cars handled; (*c*) nonrevenue service locomotives, apportioned on the basis of revenue train mileage; (*d*) mixed service locomotives, allocated on the basis of respective car mileage of cars handled in mixed trains.

Accounts 26 and 27. Treated as common and apportioned on the basis of miles run in respective services.

Accounts 28 to 30, inclusive. No charges.

Accounts 31 to 33, inclusive. All passenger.

Accounts 34 to 36, inclusive. All freight.

Accounts 37 to 39, inclusive. No charges.

Accounts 40 to 42, inclusive. Allocated where possible; unallocated treated as common and apportioned on the basis of cars handled.

Accounts 43 to 45, inclusive. Treated as common and apportioned on revenue train mileage.

Accounts 46 to 50, inclusive. Treated as common and apportioned on the ascertained charges for repairs.

Accounts 51 and 52. Allocated where possible; unallocated treated as common and apportioned on the basis of cars handled.

TRAFFIC EXPENSES.

Accounts 53 to 60, inclusive. Allocated where possible; unallocated treated as common and apportioned on revenue train mileage.

TRANSPORTATION EXPENSES.

Accounts 61 and 62. Allocated where possible; unallocated treated as common and apportioned on revenue train mileage.

Account 63. Allocated where possible; unallocated apportioned on the basis of estimated time devoted to respective services at large stations, and at small stations on the basis of allocated labor charges.

Accounts 64 and 65. All freight.

Account 66. Allocated where possible; unallocated treated as common and apportioned on basis of revenue train mileage.

Accounts 67 to 78, inclusive. Treated as common; apportioned on the basis of cars handled by yard locomotives.

Account 79. No charges.

Account 80. Allocated on basis of miles run in respective services.

Account 81. Allocated on the basis of assigned service.

Account 82. Allocated according to service.

Accounts 83 to 85, inclusive. Allocated on basis of assigned mileage.

Accounts 86 and 87. No charges.

Account 88. Allocated according to service.

Account 89. Allocated where possible; unallocated treated as common and apportioned on the basis of revenue train mileage.

Accounts 90 to 92, inclusive. Treated as common and apportioned on the basis of revenue train mileage.

Account 93. Actual work of clearing wrecks allocated direct; common expenses are apportioned on the basis of revenue train mileage.

Account 94. Allocated where possible; unallocated, apportioned on the basis of revenue train mileage.

Account 95. Allocated where possible; unallocated, treated as common and apportioned on the basis of cars handled.

Account 96. No charges.

Accounts 97 and 98. Allocated where possible; unallocated, treated as common and apportioned on the basis of revenue train mileage.

Account 99. All freight.

Account 100. All passenger.

Accounts 101 to 105, inclusive. Allocated where possible; unallocated, treated as common and apportioned on the basis of revenue train mileage.

GENERAL EXPENSES.

Accounts 106 to 109, inclusive. Allocated where possible; unallocated, treated as common and apportioned on the basis of revenue train mileage.

Account 110. Premium on merchandise in transit charged direct to freight. All other treated as common and apportioned on the basis of revenue train mileage.

Accounts 111 to 114, inclusive. Treated as common and apportioned on the basis of revenue train mileage.

Accounts 115 and 116. Allocated where possible; unallocated, treated as common and apportioned on the basis of revenue train mileage.

The CHAIRMAN. Do you approve the Wisconsin commission method of apportionment, and claim that it is the best developed method to-day?

Mr. PEABODY. By no manner of means.

The CHAIRMAN. Then why the criticism between the departmental and the Wisconsin commission methods?

Mr. PEABODY. Simply to show that the department method does not follow any basis at all, or is even used by anybody.

The CHAIRMAN. It is simply an arbitrary method of its own?

Mr. PEABODY. That is all. That is the object of it.

The CHAIRMAN. I would like to ask Mr. Prentiss, if in the departmental committee's work, where they got in the twilight zone, if their deductions were made surely favorable to the Government? Is that true?

Mr. PRENTISS. Not always.

The CHAIRMAN. Will you elucidate a little on that answer?

Mr. PRENTISS. We followed the Wisconsin commission, using it as a theoretical basis, as it were. We first ascertained a basis of division for each separate primary account, and having ascertained a basis for each account, we then applied it to every railroad company alike, the idea being that we could not consider each railroad company separately so far as the method of division was concerned. It must be uniform in order to be just and equitable.

The CHAIRMAN. In your study were there certain questions which presented themselves where you had no information, according to the recommendations of the Wisconsin commission's method, and you had to make arbitrary decisions yourself; and in your credits and debits as between the Government and the railroad companies did you equalize those credits and debits, or did you, in your deductions, apply the debits to the railroad companies and the credits generally to the Government?

Mr. PRENTISS. In regard to certain accounts which were not named by the Interstate Commerce Commission as primary at the time of the Wisconsin commission's decision in the Buell case, we divided those accounts in accordance with the best information at hand, following the Wisconsin commission method for like accounts.

The CHAIRMAN. That is not answering my question.

Mr. PRENTISS. But there were other accounts that it was impossible to divide on any known basis, and the commission had to use its best judgment in those specific accounts.

The CHAIRMAN. In coming to your conclusion did you figure what the saving would be to the Government?

Mr. MCBRIDE. May I answer that?

The CHAIRMAN. Yes.

Mr. MCBRIDE. In our consideration of the entire question we endeavored to be entirely fair to both the railroads and the department. We considered it from all aspects.

The CHAIRMAN. One aspect being as to how it would show in dollars—cost to the Government in the results?

Mr. MCBRIDE. No, sir; I do not think that came into it at all.

Mr. PEABODY. May I ask Mr. McBride why, under that view, all the items under traffic expenses were thrown out?

Mr. MCBRIDE. Thrown out?

Mr. PEABODY. Were they not? Were they not considered as not applicable to the mail service?

Mr. MCBRIDE. The totals of traffic accounts 54, 55, 56, 57, and 58 were divided between passenger and freight on the basis used by the company, if not already assigned. The amounts charged to passenger service were deducted, however, from the passenger operating expenses before we apportioned those expenses to the mail service, we deciding that they had no relation to the mail service. The mail service participated in the remainder of traffic expense accounts.

The CHAIRMAN. Do you concur in that conclusion, that they had no relation whatever to the mail service?

Mr. PEABODY. Hardly. When you treat accounts of this kind as a whole, in arriving at an expense an average must be taken into account, and you can not by any possibility take out one particular account because it does not happen to apply to the mail service; and they did not follow that rule all the way through by any manner of means.

There are many things that do not apply to the mail service particularly, I presume—loss and damage to baggage.

Mr. McBride. We eliminated that account from consideration when apportioning operating expenses to mail service.

Mr. Peabody. The porters on the trains do not apply to the mail service.

The Chairman. Is it your contention that they should?

Mr. Peabody. My contention is that you can not take out any one item that does not apply to the service and eliminate that without at the same time taking out other items that apply altogether to the mail service and putting the whole of that in—that is, it is not fair to put a small proportion, 2 per cent, if you please, of an item which goes altogether to the mail service in, because it applies to mail service, and then cut out 100 per cent of an item that does not apply to the mail service. In other words, when you are taking the accounts of a railroad and dividing them on any general basis, you are obliged to treat every account, because you have to take the accounts that do not apply to that particular service, which make up a very large majority of the expenses; consequently that very large majority of the expense which does not apply to the mail service is also taken out—if you take it out at all—of those items which do apply largely or wholly to the mail service, the result being that the item which applies wholly or largely to the mail service or what you charge against it, would be the 2 per cent instead of the 50, 75, or 100 per cent which would actually be the case. So you have to use it as an average, and it is not fair to take out an item which goes to make up a very large proportion that is not chargeable.

Mr. Lorenz. Can many items be found which are only chargeable wholly to the mail?

Mr. Peabody. No.

Mr. Lorenz. But many are assignable directly to freight or to passenger?

Mr. Peabody. Yes.

Mr. Lorenz. Therefore your objection seems to me not valid, because if you did separate, and properly, in the first place, all expenses directly assignable to passenger and to the mail, and then proceeded to divide the balance on some average basis, you would practically be proceeding as the department proceeded.

Mr. Peabody. But, unfortunately, you can separate some of these items that do not apply at all to the mail, but you can not separate any items that apply exclusively to the mail, so the separation would not be fair.

The Chairman. Is not this separation made solely for ascertainment as to what the percentage of mail charge shall be, as of the total passenger charge? Consequently, in determination of that percentage, why should you charge to the mail something that does not enter into mail transportation at all? You give the 100 per cent, if it is all rental and chargeable to mail; but if it is half-and-half you credit the fifty per cent, but where there is not a single per cent that enters into the mail transportation, why should it be charged to the mail?

Mr. Peabody. Because we can not separate from the expenses an item chargeable to the mail. We do not know how much of any item is chargeable to the mail. That is impossible of ascertainment, so the arbitrary has to be used, and the arbitrary should apply to the

entire basis. The reason for that is that the passenger service finds its unit in the train. That is the unit of the passenger service. The maintenance and everything connected with the passenger service of the railroad finds its expression in that train as a unit. Now, of that train the mail service takes so much and is chargeable consequently with that proportion of every item that goes into that unit of the train.

Mr. LORENZ. How are you going to tell how much of that the mail service takes?

Mr. PEABODY. That is what the department is trying to do now, whether it shall be weight or space.

Mr. MCBRIDE. How about fast-freight lines? Does that refer to the cost of operating fast passenger trains?

Mr. PEABODY. No. I am referring now entirely to the passenger expenses, after the passenger expenses are determined. He is speaking now of the portion chargeable to the mail and passenger expenses.

Mr. PRENTISS. Would you consider advertising an account which should be apportioned between the classes of service—express, mail, and passenger?

Mr. PEABODY. Yes.

Mr. PRENTISS. Would the mail and express participate in passenger advertising?

Mr. PEABODY. That being a part of the expense attaching to the passenger service, I should say yes, and if I had time probably I could show by an argument that that would be perfectly proper, but it would take too long a time to enter into a discussion of that question for the purpose for which I am here. My general claim, however, is that after you have ascertained the cost attaching to the passenger-train service then it is perfectly proper to divide the whole of that cost between the different services performed by that train. You must remember that in all of the accounting, everything that finds its unit right in the train—there is not an expense in a railroad that does not find its unit there; consequently, the proportion of the different classes of service that a train performs should be made the basis of the cost attaching to that service. That is the general proposition. But my aim is not discuss that proposition, how you are to divide it afterwards, but the division between freight and passenger, which is the subject under discussion.

The CHAIRMAN. In mail transportation, who puts the mail on the cars and takes it off, the railroad employees or the postal employees?

Mr. PEABODY. As a rule, the railroad employees.

The CHAIRMAN. The cost to the railroad would be the same, would it not, practically, if the pick-up and loading was made at Washington and the delivery and unloading was made at San Francisco or made at New York, providing that the car was loaded at Washington went through to New York and another car loaded in Washington went through to San Francisco? Your cost to the railroad for pick-up and for loading and delivery and unloading would be the same to the railroad, would it not, assuming that wages were the same?

Mr. PEABODY. And that it was all on one railroad?

The CHAIRMAN. Yes.

Mr. PEABODY. Yes; I assume that is so. I presume it would not cost any more to pick it up in Washington and unload it in New

York than it would to pick it up at Washington and unload it at San Francisco, so far as that particular service is the same. The cost in rate would not be the same.

The CHAIRMAN. The transportation cost would be in accordance with the mileage?

Mr. PEABODY. Certainly.

The CHAIRMAN. In the construction of the parcel-post bill we made two separations, one that we termed an overhead charge which was pick-up and delivery, and which we assumed in constructing our rates would be the same materially as to where the activity took place and because it was done by governmental employees, and then took the transportation cost to the Government, which was easily ascertained, and added that in accordance with the distance embodied in the zones that were adopted. Could that same principle, in your opinion, be utilized at all in the solution of this problem of railway mail pay, namely, that the mail being practically one classification, one kind of freight or passenger—whichever you choose to term it—that there would be two factors to be ascertained, one an overhead charge, the cost of loading and unloading mail on the cars, performed by the railroads, and the other a transportation charge based on the ascertainment, as far as it is possible of ascertainment, based on the ascertained cost to the transportation company, with a determination on the part of Congress as to the compensation the transportation company should receive over and above that ascertained or arbitrarily adopted cost to the transportation company?

Mr. PEABODY. It seems to me that there are so many difficulties entering into the way of division of expense that I should not like to express an opinion offhand as to its correctness. Mr. Lane, of the Interstate Commerce Commission, in making his express rates, made them somewhat on that theory—that is, he first determined a transportation charge by his zones and he had a certain rate for each one of the zones, and after having ascertained what the rates would be under those rates through the different zones he then added the terminals at each end to the amount thus found, and pronounced that as the rate. That, I suppose, is somewhat in line with the theory that you have just stated, but in this country we have never made that dual rate on freight or anything else as they have in England. If I might be permitted to speak wholly as a layman in regard to the mail service without having given it any definite thought other than the ordinary citizen gives it and without giving it really any considerable thought at all, it has occurred to me that if the mail could be handled on the basis of weight, ascertained by an automatic recording device as put on and put off the trains, we would have the ideal way of transportation, and the Government would pay for what was carried and the railroad would get paid for what it did carry.

The CHAIRMAN. What would you do with the R. P. O. and the apartment cars?

Mr. PEABODY. That is post-office space being transported over the lines. That would have to be paid for as now, in addition to the weight.

The CHAIRMAN. As extra service?

Mr. PEABODY. But instead of having a lump weight, as determined now, which we have once every four years, if we could have a device for weighing on and off the trains which would keep a record and

which would be duplicated both to the railroad and to the department, there would be very little difficulty in ascertaining what the pay ought to be.

The CHAIRMAN. Is there any such device that has been developed?

Mr. PEABODY. I do not know of anything of that sort, but I say, from my confidence in Yankee ingenuity, that I think, perhaps, one could be gotten up. I have not given it any serious thought. That may be a thought that could be worked out. I am going to make some investigation on that line simply for my own satisfaction. I have not anything to do with the mail service on our road.

As to why the department used the Wisconsin method when there were others in use which had been decided by the courts to be superior to the Wisconsin method I can not say. In the first place, they did not use it, but why they even selected that as their basis I would like to know. Was it not because it allowed the least to the passenger basis? Was it not because the case in which it occurred was a passenger case, and it allowed the least possible expense to the passenger business of all methods?

Mr. MCBRIDE. No, sir; I do not think that entered into the mind of any member of the departmental committee. The method adopted by the department is not the Wisconsin method, but a modification of it, and was selected after a prolonged consideration of the question and after consultation with employees and officials of the Interstate Commerce Commission and a discussion of different methods. It was determined on by the committee of the department as being, in their opinion, the most equitable method obtainable.

The CHAIRMAN. I understand you to make the statement that other methods have been decided by the courts to be superior to the Wisconsin method, which has been under discussion here. Will you please elucidate on that?

Mr. PEABODY. I will call your attention to several of those cases and the decisions.

Mr. MCBRIDE. May I ask if the decisions were rendered before Document 105 was prepared.

Mr. PEABODY. Yes, sir. Nearly all of these cases antedate anything that was done by the department. I want to say, however, before going into that, that I have in my possession a letter from Commissioner Meyer, who is one of the commissioners subscribing to the Wisconsin decision. After an examination, at my request, of the Santa Fe method, he pronounced it to be almost ideal, and he would agree with it simply with one exception, that of switching mileage. We divide switching expense on the Santa Fe on the basis of the cars handled by the switch engines and yard expenses. Commissioner Meyer would assign all of the switching expenses to freight. On what theory he would do that I can not conceive, but that is a fact. However, with that exception, he has indorsed our basis in toto.

The CHAIRMAN. That is Commissioner Meyer, of the Interstate Commerce Commission?

Mr. PEABODY. Yes. Commissioner Meyer spent some time studying our method. I do not mean to say our method is by any means perfect. It is not perfect and we are striving now to improve it.

In a case in the court of common pleas, No. 4, for the county of Philadelphia, in equity, the Pennsylvania Railroad Company, *v.*

Philadelphia County, March term, 1907, it was stated and affirmed by the court:

XIII. The complainant, at the request of the defendant, submitted its tables of figures showing its business, its estimated business, and the probable results of the reduced charge to the counsel for defendant, who in turn submitted the same to a competent accountant, Mr. Goldsmith, who spent several weeks in an examination of the books and papers of the complainant bearing upon the subject, to which he was given the fullest and most complete access. He submitted a statement of the accounts which differed from those of the complainant by about $1,642,000. This difference came about as the result, first, of using another method of apportioning certain expenses as between the freight and passenger business than that used by the complainant, this method being the locomotive-mileage basis, while that adopted by complainant is known as the revenue train-mileage basis.

Whilst the locomotive-mileage basis of apportionment had been used by complainant prior to the first day of January, 1907, it appeared, without contradiction, that during the period this method was used it affected no rights; that as early as the year 1892 the Interstate Commerce Commission recommended to the railroad companies of the country the use of the revenue train-mileage basis of apportionment; that antecedently to 1907 almost all railroad companies of the country, which made any apportionment, had adopted that basis; that in 1906 the then president of the complainant, Mr. Cassatt, had instructed the comptroller to investigate the subject of the proper apportionment, who did so investigate and who represented to Mr. Cassatt that the revenue train mileage was almost universally used, and was the proper one to adopt, and that the revenue train-mileage basis was thereupon adopted because of the conviction of those in charge of the operations of the railroad that it was the proper one. This method was proven by expert witnesses to be the proper method, and Mr. Goldsmith conceded that he had no such knowledge or experience as was essential to enable him to express any opinion as to which was the proper one.

One of the findings of the court, on page 24 of the same opinion, is as follows:

(*c*) As nearly as can be ascertained through a careful application of a rule of apportionment approved by railroad experts and in actual use by most of the large railroads of the country, the approximate cost to the plaintiff of handling its intrastate passenger business during the first three months of the present year was $2,921,607.91.

Turning to page 26 of the same report, the decision says:

Upon these facts we are asked by the plaintiff to declare that the regulation of passenger fares attempted by the act of April 5, 1907, is unreasonable. To this there is advanced on behalf of the defendant the particular objection that no evidence has been presented to show the results of the plaintiff's freight business; that its intrastate passenger business is so combined with its intrastate freight business as to be indistinguishable in their joint result; that greater profits on the one kind of traffic may make up for the lowering of profits on the other, and that, therefore, before it can be said that the act under consideration regulates the plaintiff's business unreasonably, the whole of that business must be considered, freight traffic with passenger traffic. This objection we think is overcome by the following considerations:

First. Men who understand the railroad business thoroughly and on whose opinion in relation to the subject we may with confidence rely, declare that intrastate passenger traffic may readily be distinguished from the rest of the plaintiff's business by the application of certain rules developed by experience and approved by general use.

Second. The legislature itself, in the very act now under discussion has, for purposes of regulation, attempted to segregate the passenger traffic of the railways and to deal with it as if it existed as a thing apart from all else.

Third. If pushed to its logical result the argument advanced would justify a law requiring that the railroad companies of the State should carry all intrastate passengers without charge and look to their freight business for reimbursement of expenses and for a return on their investment in the business, which, of course, is the reductio ad absurdum.

It is further and more generally objected by the defendant that the plaintiff invites the court in this case to leave the domain of fact, where it has to guide it the testimony of witnesses who have seen the things that they describe, and to enter the realm of speculation, where all evidence is mere guesswork and where probability is the nearest approach to reality and truth that can be found. This objection seems at first sight more formidable than it really is. Antithesis always arrests attention. In an inquiry, however, as to conditions resulting from the operation of a regulation not yet in force, nothing but probabilities can be expected. Such a situation is not one with which the law is unfamiliar. It has never required mathematical proof of the facts with which it deals. Most verdicts rest on the likelihood (not the certainty, by any means) that witnesses will tell the truth under oath. Nevertheless, judgments are entered solemnly on such verdicts. And this is in accordance with the common practice of mankind in the affairs of daily life. No plan for future conduct was ever formed that was not based upon the probability as to what circumstances would develop at the time for its performance. There is nothing more uncertain than human life, but the study of the probabilities of its duration has made the insurance of lives a safe and profitable business. It may well be doubted that the business of life insurance has received more careful attention than has been applied by intelligent students to the traffic of the country's railways. To such experts what seems to others mere chance and guesswork becomes reliable forecast. In our opinion, the approximations and probabilities worked out upon a broad foundation of established facts by men of experience and sound judgment, testifying under oath, may properly be considered a safe ground on which to base judicial action. Having such testimony before us, we feel justified in accepting and acting upon the probabilities which it establishes.

That is on the basis of the revenue train mileage.

Mr. HURST. There is a more recent reference than that. I would call your attention to the case of the Chicago, Peoria & St. Louis Railroad.

Mr. PEABODY. I think I have every case of the sort. I have all those cases, and will come to them later.

The CHAIRMAN. Has that been sustained?

Mr. PEABODY. The Pennsylvania case was sustained. I am quite certain that it was. I know the rate which was approved by this court is the present rate in Pennsylvania.

The CHAIRMAN. That was in 1907?

Mr. PEABODY. That was in 1907. The next case is the case of the Arkansas Rate case, in which Judge Van Devanter rendered his opinion on the temporary injunction, before he went to the Supreme Court. While he does not enter into any discussion, it is sufficient to say that the revenue train mile basis was the basis used in that case for the basis of dividing between freight and passenger.

The CHAIRMAN. What is the status of that case? Was that affirmed?

Mr. PEABODY. That is now before the Supreme Court of the United States, and we are waiting with some considerable degree of interest for the decision. It has been pending before the court now for over 12 months.

The CHAIRMAN. And the decision in that case was based on revenue train mileage?

Mr. PEABODY. Revenue train mileage. And Judge Van Devanter stated in his opinion granting the injunction that the actual cost of conducting the freight traffic and the actual cost of conducting the passenger traffic had been ascertained. That you will find In re Arkansas Rates, 163 Federal, 141.

The CHAIRMAN. A short time ago, as I remember, you stated that you had received a letter from Mr. Commissioner Meyer, of the Inter-

state Commerce Commission, approving, with one exception, the method of accounting of the Atchison, Topeka & Santa Fe Railway Co. as to the division between passenger and freight expenses.

Mr. PEABODY. As to the division between freight and passenger and to the different operations of the road.

The CHAIRMAN. I infer from that that, in his opinion, you have evolved the best method of accounting known to date, or, at least, known by him to date, in apportionment between freight and passenger; but have you made an apportionment between mail and passenger?

Mr. PEABODY. I have; yes; and will come to that.

The CHAIRMAN. Did you submit that apportionment to Mr. Meyer?

Mr. PEABODY. Oh, no. That is only since this mail case came up.

The CHAIRMAN. So that, as a matter of fact, according to your information, none of the railroads, and certainly not so far as your own road is concerned, had attempted to make an apportionment between mail and passenger until the department commenced its study of the question, the results of which are represented in document 105?

Mr. PEABODY. No, sir. The next case I want to refer to is the case of the St. Louis & San Francisco Railroad Co. *v.* Herbert S. Hadley (168 Fed., 317), the opinion of Judge McPherson in the Missouri case, which is also before the Supreme Court at the present time. In that case the revenue train-mile basis was submitted by all the roads and the State employed two very competent accountants, a Mr. Taliferro and a Mr. Hamilton—the latter now working for the St. Louis & San Francisco Railroad—to examine the accounts of the railroads to ascertain whether or not that division was correct, and they testified on the stand that they had no fault whatever to find in the division between freight and passenger as established by the roads, and that division for each of the roads is published in the opinion of Judge McPherson, showing the division between freight and passenger for each one of these roads in that case, and approved by the accountants.

The CHAIRMAN. Is that on the revenue train-mile basis?

Mr. PEABODY. That is on the revenue train-mile basis, with the exception of the Santa Fe, which is on the revenue train-mile basis where it is impossible to use anything else. For instance, the station service on the Missouri Pacific was divided on the train-mile basis and we divided it on the basis that I have explained. We divided the switching on the train-mile basis and we divided it on the basis of the cars handled, but, practically, the division was the same. But the basis was the revenue train mileage, and the court approved of that basis and rendered its decision under that basis.

The CHAIRMAN. What was the date of that decision?

Mr. PEABODY. That is not dated, but it will be given in the reference that I have stated. I should say that was about 1910. Judge McPherson, commenting on it, says:

> The earnings are known and fixed and in these findings stated to a certainty. But as to the expenses as between State and interstate business, there has been a controversy, and such is the principal controversy in the cases. There is no known fixed or certain rule for determining how this separation of expenses shall be made. The same can not be made with mathematical certainty.

That is, the separation as between interstate freight and intrastate freight and interstate passenger and intrastate passenger.

The CHAIRMAN. Have you attempted that in the Atchison method?

Mr. PEABODY. We use the basis that has been adopted by all of the courts, which is the gross-revenue basis.

The CHAIRMAN. Do you make an inter and intrastate distinction?

Mr. PEABODY. In all the State cases which we have had the courts have approved the Arkansas case, the Missouri case, the Minnesota case, the Chicago, Peoria & St. Louis case; all of them have approved this basis for the division as between freight and passenger, ascertained by the revenue train-mile basis. Then the subdivision of passenger expenses as between interstate and intrastate is made upon the respective revenues of those two classes of business; the same way with the freight. That has been approved universally by every court before whom it has been submitted, except Judge Trebeir, who used a slightly modified basis in the Arkansas case. Judge McPherson also said in connection with this:

> With reasonable certainty the expenses for doing the freight and passenger, including miscellaneous of each, can be and have been separated.

The next case is that of Judge Hook's, the case of Missouri, Kansas & Texas Railway Co. *v.* Love (177 Fed., 493). While Judge Hook does not go into the discussion of it in that case, I will say the revenue train-mile basis was the basis used. I was the principal witness in that case on that point. Judge Hook says:

> As between freight and passenger traffic, a large part of the expenses may be directly located and distributed, and it is the custom to apportion the remainder by various rules not necessary to mention here.

Those were the rules which we used in our method of division. That case is still under injunction. It has not gone to the Supreme Court. The Interstate Commerce Commission in the Advance Rate case, decided February 22, 1911, and in the decision of the Western case Commissioner Lane refers at some length to our basis of division.

The CHAIRMAN. That is the Atchison basis?

Mr. PEABODY. That is the Atchison basis of division, and also the Burlington, which is practically the same. In the Advance Rate case we find at page 49 of the decision the following:

> While we find the carriers contending uniformly that in the making of a reasonable rate the cost of service is practically a negligible factor, yet the contention is herein made that the carriers should be allowed to increase their rates upon that ground. In short, that addition to cost of service justifies increased rates. It becomes of immediate importance, therefore, to learn what we may as to this factor in the problem. That the railroads are not indifferent to this element is shown by the fact that some of those of highest grade keep such figures. It would be remarkable indeed if, in this time when all great business enterprises make analyses of costs, our railroads should keep no such accounts.
>
> When we have sought to learn the cost of railroad service a twofold answer has been made: (1) That rates were not and could not be made with reference to cost because some traffic could and should bear a higher rate than other traffic, and (2) because it was impossible to allocate to the different services rendered their proper share of expenditures. The first of these answers we have considered above. As to the second, it has been testified by an official of an important carrier that it was entirely feasible to absolutely segregate about 51 per cent of the cost of operation between passenger and freight traffic; that about 29 per cent was subject to some arbitrary division, but that for all practical purposes it would be accurate; and that only the remainder, or 20 per cent of the whole, had to be determined upon an arbitrary basis.

So that it was regarded as practicable by statisticians to leave but a very narrow "twilight zone" between the actual cost of moving a ton of freight and the statistician's estimate; and this estimate, it was thought, would not vary 5 per cent from actual cost. This is readily apparent from the fact that of the total operating expense on most of the roads substantially 50 per cent is chargeable to "conducting transportation," 25 per cent to maintenance of way and structures, and 25 per cent to maintenance of equipment. There is no difficulty in segregating the cost of maintenance of equipment as between passengers and freight. Likewise, the 50 per cent under the head of "conducting transportation" is easily segregated, excepting as to some station, yard, and similar expenses, which constitute a small proportion of the total.

Thus practically 75 per cent of the entire expense is taken care of. The expense of maintenance of way and structures can not be allocated, and this has to be divided arbitrarily. Moreover, that it is not impracticable to estimate cost of railway service is evidenced by the fact that we have before us the cost figures of both the Santa Fe and the Burlington lines. The Santa Fe road has had in its employ for many years a man who has a national reputation as a statistician. It is a part of the general efficiency of the system of that great road to keep such accounts, so that the management may ascertain through varying periods of time how the income of the road is being expended. While the figures, as the carriers contend, may not be sufficiently definite as to be authoritative upon the cost of carrying traffic, they clearly and unquestionably show the relative cost from year to year, because the same system of bookkeeping and statistical accounting obtains throughout these periods of time. If we find that on a certain division of the Santa Fe road, for instance, the cost of moving a ton a mile is 3 mills in September, 1910, and 3½ mills in September, 1909, we may not be justified in concluding that to the nicety of one-tenth of a mill this is the cost of moving that unit of traffic; but we are justified in saying that the cost over that particular portion of the road for that one month, including all operating expenses, has decreased in 1910.

I will say, for the information of the commission, the Santa Fe road has followed this method for the last 12 years. We started it about 12 years ago, and I personally have been working with it for 12 years, and we have been working at it all that time to complete, as nearly as we may, the expenses; so we feel somewhat competent to speak on the subject.

The CHAIRMAN. You think you have perfected or evolved a very important plan in the segregation of expenses between freight and passenger. Do you think you could be equally successful in the segregation of expenses between mail and passenger?

Mr. PEABODY. We have not the data which will enable us to get that, Mr. Chairman.

The CHAIRMAN. Is that data obtainable and would it be expensive to obtain?

Mr. PEABODY. It would be expensive to obtain, and I know of no manner of obtaining it except by weighing the mail on and off the train. The next case I have is that of the famous Minnesota case, 184 Federal, 765, and this particular reference is at page 812. This is quoted from the opinion of Judge Sanborn in the United States court:

In the cases of the Northern Pacific Co. and the Great Northern Co. exceptions are urged to the master's division of common cost between freight business and passenger business, to his finding that the cost of doing intrastate freight business was two and one-half times the cost of doing interstate freight business, and to his finding that the cost of doing intrastate passenger business was 15 per cent more than the cost of doing interstate passenger business. About 60 per cent of the cost of doing the passenger and freight business in Minnesota consisted of items which in themselves disclosed the fact that they were incurred either in doing the passenger or in doing the freight business.

All parties conceded that these items were properly assigned to the freight business and the passenger business, respectively, by the railroad companies,

and these are termed "allocated items." The remaining 40 per cent of the cost consisted of items incurred for the common benefit of the passenger business and the freight business, and there was no method of assigning these items that was certain to be mathematically and absolutely correct. Two methods were advocated by the respective parties to this controversy. The defendants introduced in evidence an allocation of these items made by Mr. Conway W. Hillman, an expert railway accountant, without extended experience as a railroad operator, whereby in the Northern Pacific case about $400,000 more common cost and in the Great Northern case about $900,000 more common cost was assigned to the passenger business, and a correspondingly less amount to the freight business, than was assigned by the companies and confirmed by the master. This division was supported by the testimony of Mr. Hillman that in his opinion it was right and reasonable and by his statement of his reasons for this belief. But no other witness came to support his view. On the other hand, a large number of witnesses, who had long been familiar with the details of the expense of operating railroads, who had enjoyed a long experience in their actual operation, and who had considered in the light of their knowledge and experience and formed opinions concerning a just division of this common cost, testified that the allocation made by the companies and finally adopted by the master was fair and just.

This testimony was buttressed by evidence that this basis of division had been used by these and other railroad companies for their own information and convenience for some time before the questions here at issue had arisen, and that it had at one time received the approval of the Interstate Commerce Commission. So it is that whether the knowledge, experience, and opportunities of the witnesses to form correct judgments upon this issue of their numbers be considered, the great preponderance of the evidence sustains the division made by the master, and it must stand.

That is on the revenue train mile basis. Right here, without reading it, I want to introduce another item. Judge Sanborn, also in his opinion, stated the proper method for arriving at the value of the property was the gross earnings method—I mean the value of the property devoted to each class of business—and we used exactly that same method for arriving at the value of the property:

The master divided the values of the Minnesota properties between freight business and passenger business and between interstate business and intrastate business on the basis of the respective gross earnings of these classes of business. Counsel for the defendants challenge this basis of division, and contend that the apportionment should have been made on the basis of the use made of the property by each of these classes of business, measured either (1) by the aggregate number of the ton miles of the respective classes, or (2) by the aggregate number of the car miles and engine miles of these classes.

They say that if that proportion of the value of the property of a company which the number of ton-miles hauled by it in Minnesota bears to the aggregate of its ton-miles and passenger miles in Minnesota be assigned to its freight business, and that proportion which its number of passenger miles bears to the same aggregate be assigned to the passenger business, and if that proportion of the value thus assigned to the freight business which the aggregate of the car miles and engine miles appertaining to the intrastate freight business bears to the car miles and engine miles used in the freight business be assigned to the intrastate freight business, and the same method be pursued in apportioning value to the intrastate passenger business the apportionment will be more equitable and just. The issue is between apportionment by use without regard to the worth or value of the use, and apportionment according to the value of the use. The latter basis seems to be more logical and rational.

Capitalization is founded on the worth of use, not on mere use. The value of property and of investment in every form is measured by the value of its use, not by its use divorced from the value thereof. The Minnesota Railroad Commission, the railroad companies, all rate makers, base their rates primarily on the worth of the use of the railroad machines by the various classes of freight and by the passengers, and not on the amount of that use. The rate for hauling a ton of merchandise of the first class a mile is not five times the rate for hauling a ton of merchandise of Class E a mile, because the former ton-mile uses the railroad property five times as much as the latter, but because the use by the former is worth more than the use by the latter.

Moreover, there is no unit of measurement of ton-miles and passenger miles, of freight-car miles and freight-engine miles, or of passenger car miles and passenger engine miles divorced from the values of the uses they make of the railroad property, from the classes of loads they carry, and the distances these loads are hauled. Indeed, there is no proportioning or measuring relation between such varying uses of property when no regard is given to the values of these uses.

On the other hand, the values of the uses, the earnings of the property, unavoidable condition the value of the property used and present a natural and equitable basis of apportioning that value to these uses. Cases may indeed be imagined in which this basis does not produce persuasive results. One of them was suggested by Mr. Justice Brewer in Chicago, Milwaukee & St. Paul Ry. Co. *v.* Tompkins (176 U. S., 167, 176; 20 Sup. Ct., 336; 44 L. Ed., 417), and others of like character have been presented in argument by counsel. But no basis has been suggested and none has been discovered which seems to be more equitable or more accurate. It may be that there is no basis or method that brings perfect or ideal results. But because the ton-mile and passenger-mile basis has no common unit of measurement, because that basis and the car-mile and engine-mile and the passenger car-mile and passenger engine-mile bases exclude the effect of the values of the uses made of the railroad property by the various classes of freight and by the passengers carried, because there is really no proportioning relation between uses divorced from their values and the value of the property used, because these bases ignore the differences in the classes of freight carried and in the distances they are handled, because the apportionment of the value of railroad property on the basis of the gross earnings of the classes of business, which disclose approximately the values of their uses of it, gives effect to these material differences, appeals more persuasively to the reason, and produces results more equitable than any other basis suggested, and because this basis has commended itself to the judgment of and has been adopted by the courts upon whom duties of apportionment of this nature have been imposed in like cases the master was justified in following their decisions, and his action and report in this regard is confirmed. (Ames *v.* Union Pacific R. R. Co. (C. C.), 64 Fed., 165, 179; Chicago, Milwaukee & St. Paul Ry. Co. *v.* Tompkins (C. C.), 90 Fed., 363, 370; St. Louis & S. F. Ry. Co. *v.* Hadley (C. C.), 168, 317, 348–352; Northern Pacific Ry. Co. *v.* Keyes (C. C.), 91 Fed., 47, 26, 57; in re Arkansas Railroad rates (C. C.), 163 Fed., 141, 142; Missouri, Kansas & Texas Ry. Co. *v.* Love (C. C.), 177 Fed., 493, 497.)

He also, in the same opinion, found that 7 per cent was a proper return upon the value of the property devoted to this use, and there is his argument in this respect:

Complaint is made that the master finds that the companies are entitled to a net return of 7 per cent per annum upon the respective value of their properties devoted to this public use. The character of the business in which an investment is made, the locality in which it is placed, the returns secured in that locality from other investments of a similar nature, the uniformity and certainty of the return, and the risks to which the principal and the income from it are subjected, condition the measure of a fair return upon capital invested. An investment in a bank, in a factory, in a mercantile, manufacturing, or agricultural business is substantially free from regulation by the Government and exempt from any duty to the public, except that of paying taxes. If the business in which such an investment is made is unprofitable, its owners may promptly discontinue its operation until more prosperous days come and then return to their undertaking. An investment in a railroad which operates in many States is subject to the regulation of its business by many Governments. Its owners owe the duty to the Governments and to the public to operate their railroad continually in days when its operation is unprofitable as well as when it is remunerative, a duty they must discharge under the penalty of the forfeiture of their property if they fail. In view of these facts they ought to be permitted a return large enough to enable them to accumulate in prosperous days a surplus sufficient to enable them to protect their property in days of disaster and to make their average return through days of prosperity and of adversity fair and just. The lands in Minnesota through which these railroads extend are fertile and productive. The cities, villages, and towns they reach are rapidly increasing in population and wealth, and the people they serve are thriving and successful.

The evidence satisfies that the railroads are maintained in excellent condition, that they are efficiently and, on the whole, economically managed and operated and are rendering commendable service. Justice to the thriving people they serve does not require that the owners of these railroad properties should be deprived of a fair return upon their values. To deprive them of such a return would prevent advances and tend to compel reductions in the wages and salaries of their employees, would tend to prevent the extension of their lines into portions of the State where the development and accommodation that railroad service assures would be welcome and may be needed, to deteriorate the character of the service they render, and to retard the general prosperity. The legal rate of interest on a debt in Minnesota in the absence of contract is 6 per cent, and by contract it may be 10 per cent per annum. (Rev. Laws Minn., 1905, par. 2733.) Rational investments in agricultural, manufacturing, mercantile, and other industrial pursuits, and even well-secured loans, yield returns in Minnesota corresponding with these lawful rates. Investments in railroads and the returns thereon are at the risk of failures and partial failures of crops, of disasters, delays, and expenses of unusual storms, snow, and cold, of the great financial disasters which occasionally prevent or delay the movement of traffic, and of the burden of continuous operation, whether profitable or unremunerative. It is an axiom in economics that the greater the risk the greater must the return be upon invested capital, and the conclusion is irresistible that a net return of 7 per cent per annum upon the respective values of the properties of these companies in Minnesota devoted to transportation is not more than the fair return to which they are entitled under the Constitution of the United States.

The last case to which I will refer is the most recent case, found in the 199 Federal, 593. This is the most elaborate opinion in connection with this division of freight and passenger expenses and the court goes into it very thoroughly. The master went into it very thoroughly and the court likewise.

The CHAIRMAN. What court?

Mr. PEABODY. This is the United States district court, Judge Sanborn, but not the Judge Sanborn of the circuit court.

The CHAIRMAN. This was rendered when?

Mr. PEABODY. It is a very late decision, contained in the 199 Federal. It is within the last year.

The CHAIRMAN. It has not gone to the Supreme Court?

Mr. PEABODY. No; not to the Supreme Court.

The CHAIRMAN. In your opinion, that is the most elaborate and sound decision relative to the adoption of the revenue-train mileage as the basis of segregation between freight and passenger?

Mr. PEABODY. It is the most elaborately argued and shows why, up to this time, this method has been adopted as the division between freight and passenger and why it is the most feasible method of dividing the expenses as between these two accounts.

The CHAIRMAN. In support of your contention will you mark the salient features of that decision and leave it with the reporter, so that he may insert in the record those sections that you deem salient, or do you deem it important that the whole opinion should be embodied in the record?

Mr. PEABODY. It would be very helpful to the commission if they would read the whole decision. It is a very fair discussion of that subject and that is about all there is in it. First, the opinion of the master and then the opinion of the court, sustaining the opinion of the master. He indorses unqualifiedly the train-mile basis, and I want to say in this connection the only opponent in that case was Mr. C. W. Hillman, but he adopted a very different method of dividing between freight and passenger in this case than in the Minnesota

case, because this was a passenger case, and he wanted the passenger expenses to be as small as possible.

The CHAIRMAN. We will insert the whole of the opinion in the record at this point.

In the District Court of the United States, Southern District of Illinois, Southern Division.

Trust Co. of America, complainant; Chicago, Peoria & St. Louis Railway Co. of Illinois, defendant. In chancery.

John P. Ramsey and H. M. Merriam, receivers of the Chicago, Peoria & St. Louis Railway Co. of Illinois, petitions, *v.* W. H. Stead, attorney general et al., respondents. Intervening petition.

Final hearing on exceptions to master's report. Exceptions overruled. Baker, circuit judge, and Humphrey and Sanborn, district judges.

STATEMENT.

Prior to the 1st of July, 1909, the Trust Co. of America filed a bill against the Chicago, Peoria & St. Louis Railway Co. of Illinois, to foreclose a mortgage upon a railroad. John P. Ramsey and H. M. Merriam were appointed receivers of the railway by order of July 1, 1909. They operated the road until October 13, 1909, when they filed their intervening petition against W. H. Stead, attorney general of Illinois, and the various State's attorneys for the counties through which the road runs, for the purpose of testing the validity of the maximum railway-rate act, approved May 27, 1907, fixing the maximum passenger rate at 2 cents per mile. On January 3, 1910, the attorney general and the other respondents demurred to the intervening petition of the receivers upon several grounds, among others that it appeared by the petition and the bill that the subject matter of the petition was wholly unrelated to the bill, and that an answer to the intervening petition would raise a new and independent issue in the foreclosure suit wholly foreign to the purpose and subject matter of the bill and wholly unrelated to the issue raised by the bill and answer. The court overruled the demurrer.

On October 13, 1909, the receivers moved for a preliminary injunction according to the prayer of the intervening petition, and on the same day the court issued a preliminary injunction restraining the respondents from enforcing or attempting to enforce the rates provided for in the Illinois maximum-rate act referred to, and from enforcing or attempting to enforce, through any agency provided in the statutes of Illinois or otherwise, any of the penalties prescribed by the statutes of the State for failure on the part of the petitioners to observe any of the provisions of the maximum-rate act, and from commencing or prosecuting any suit or action for the failure of the petitioners to observe the rates provided for in said act. It was further provided in the order that the receivers at the time of the sale of each passenger ticket should deliver to each passenger a coupon, stating upon its face the amount of the fare received from the passenger in excess of 2 cents per mile, and that the holders of coupons have a first lien upon all the property of the railway company to secure the payment of all costs and damages sustained by them by reason of the issuing of the preliminary injunction if it should be finally adjudged that the injunction was wrongfully issued.

On January 25, 1910, the Attorney General and his corespondents answered the intervening petition, again raising the question of jurisdiction and putting the merits of the petition in issue. Issue was joined March 9, 1910, by the filing of the general replication by the receivers. Thereupon the case was referred to Walter McClelland Allen, master in chancery, to hear the testimony produced by the parties and report his conclusions of fact and law thereon. The evidence was taken before the master, who filed his report July 19, 1911, as follows:

To the Hon. J. OTIS HUMPHREY,
*Presiding Judge of the Circuit Court of the United States for the Southern District of Illinois:*

Pursuant to an order of reference heretofore entered in the above-entitled cause whereby said intervening petition was referred to me as one of the mas-

ters in chancery of this court to hear the testimony produced by the parties thereto and report conclusions of fact and law thereon, I respectfully submit the following report, and herewith return a typewritten transcript of the testimony as a part thereof.

THE ISSUES.

The petitioners, who were appointed receivers on the 1st day of July, 1909, of the property of the Chicago, Peoria & St. Louis Railway Co., of Illinois, an Illinois corporation, in this cause on a bill to foreclose a mortgage upon the railway property, attack the validity of the "An act of the General Assembly of the State of Illinois," passed in the year 1907, commonly known as the "Two-cent rate act," as a deprivation of due process of law contrary to the provisions of section 1 of the fourteenth amendment to the Constitution of the United States, as impairing the obligation of the contract implied in the charter of the company granted it by the State, in violation of section 10 of Article I of the Constitution of the United States, and aver that the rate of charges prescribed by said act is unreasonable, unjust, oppressive, discriminative, confiscatory, and void.

Petitioners claim that from the 1st day of July, 1907, until the 1st day of July, 1909, the railway was operated in compliance with the provisions of said act, and with as great economy as was compatible with efficient service to the public and proper maintenance and preservation of its property, and that such operation resulted for the first year in an actual deficit of $8,032.41 in the earnings derived from the intrastate passenger business within the State of Illinois, and for the second year in a surplus of only $794.80, the total intrastate passenger earnings for said period amounting to $510,230.27, while the operating expenses solely incident to said business, including no fixed charges except taxes, amounted to $517,467.88.

Upon the presentation of their petition an order for a preliminary injunction was granted restraining the respondents, the attorney general, and the State's attorneys of the various counties through which the railroad's right of way extends from enforcing the rates prescribed by said act and penalties provided for violation thereof, and directing the petitioners upon the sale of passenger tickets to issue to each purchaser a coupon secured by first lien upon the railway property for the amount paid in excess of 2 cents a mile, the coupons to be payable in the event that the injunction was wrongfully issued.

Demurrer to the petition was overruled, and on March 9, 1910, answer was filed in substance denying the allegations of the bill and challenging the methods used in the division of common expenses between the freight and passenger business and of the earnings and expenses between interstate and intrastate passenger traffic.

CONTROVERTED QUESTIONS OF FACT.

The ultimate questions of fact in controversy upon which the right of petitioners to a permanent injunction depends are:

(1) The proper and equitable division of expenses common to both freight and passenger traffic which can not be directly allocated to either so that each branch of the service shall bear its just share of the common expenses.

(2) A proper and equitable division of earnings and expenses between intrastate and interstate passenger business necessary to the ascertaining of earnings and expenses of the intrastate business.

(3) Proper apportionment of the value of the property as a whole to each branch of the service in order to ascertain the value of the investment in the intrastate passenger service upon which a fair return should be computed.

(4) The value of the use to the public of the intrastate passenger service rendered by petitioners.

DIVISION OF COMMON EXPENSES.

The basis of division of most of the common operating expenses adopted by petitioners in order to arrive at a just apportionment between the freight and passenger service is that known as "revenue train mileage." It is not contended that this basis is mathematically accurate, but that it more nearly approximates a division of expenses just to both branches of the service than any other

basis yet devised; that the existence of so many indeterminate factors renders such accuracy impossible; and that in the present state of the development of railroad accounting this basis represents the substantially unanimous judgment of the railroad world. It is a rule also which was prescribed by the Interstate Commerce Commission at a time when it required a division of these expenses, and as promulgated in its form of report for the year 1893 is thus stated:

"Expenses which are not naturally chargeable to either traffic should be apportioned on a mileage basis, making the division between the passenger and freight traffic in the proportion which the passenger and freight train mileage bears to the total mileage of trains earning revenue."

Mr. Robert I. Farrington, vice president of the Great Northern Railroad, who has spent 27 years in railroad service and was a member of the committee appointed by the Association of American Railway Accounting Officers to confer with the Interstate Commerce Commission with reference to a uniform system of railway accounting which the commission was authorized by the Hepburn bill, passed in 1906, to make, in explanation of the train-mileage basis, likens the railroad business to that of a manufacturing institution whose product is trains and train miles. Its entire business is devoted to running trains, getting the business to handle in trains, and taking care of it after it has been handled in trains. The train, he says, is the only unit that applies equally to the expense and the revenue. Other witnesses of large railroad experience who have given much thought to the question support this basis of division. These witnesses include W. D. Taylor, chief engineer of four railroads, who has also occupied the chair of civil engineering in the University of Louisiana for seven years, of railroad engineering in the University of Wisconsin for four years, and has devoted half of his life since maturity to practical work; Chester K. McPherson, assistant to the general manager of the Missouri Pacific Railroad; W. B. Storey, vice president of the Sante Fe Railroad; W. B. Doddridge, who has been general superintendent of the Union Pacific Railroad; John Hurst, general accountant of the Pennsylvania Line; F. P. Johnson, statistician of the Missouri Pacific; R. M. Huddleston, chief auditor of the New York Central; John P. Ramsey, one of the petitioners; H. W. Berger, auditor of the Chicago, Peoria & St. Louis Railway; M. P. Blauvelt, controller of the Illinois Central Railway.

On behalf of the respondents Conway W. Hillman has testified against this basis of division of common expenses. Mr. Hillman entered railroad service in 1876 as a telegraph operator for the Cumberland Valley Railroad, and served that road in the capacities of agent, operator, scales clerk, yard clerk, assistant dispatcher, and finally as dispatcher until 1881, when he took a position with the Northern Pacific Railroad in the treasurer's office and became assistant treasurer in the year 1888. In 1896 he organized the accounting department of the Metropolitan West Side Elevated Railway Co., of Chicago. In 1903 he left the service of the company and took employment with the Chicago, Rock Island & Pacific Railroad in the controller's office for a short time, and afterwards as chief clerk in its insurance department. This is the extent of his experience in practical railroad operation. He has since followed the business of a public accountant. For the past three years or more he has devoted almost his entire time to railroad rate bases, and has been employed as an expert on behalf of various States and their railroad commissions where such litigation has been pending. The division of common expenses did not become a practical question with him until after he was employed as an expert in rate litigation. In all he has been employed in 10 or 12 of such cases. In the present case he has had access to the railway company's books and records, and his assistants were engaged for three months or thereabouts in the work of compiling from these records the data from which he testifies. While petitioners have presented the results of operations for two years, respondents have taken only the year ending June 30, 1909, in which the earnings were considerably larger than in previous year. Mr. Hillman regards revenue train mileage as only an indicative factor and presents his own formulas in respondents' Exhibit 7 as a more accurate method of division. By the application of these formulæ he arrives at the figures shown in respondents' corrected Exhibit 2, which shows a total of operating expenses incurred for the year ending June 30, 1909, of $205,476.29 in the intrastate passenger business, while the application of the formulæ used by petitioners introduced in evidence as Exhibit 2 results in a total of operating expenses chargeable to intrastate passenger business amount-

ing to $233,943.65, exclusive of taxes, rental and hire of equipment, a difference in results of over $28,000 arising from the difference in method of apportioning common expenses.

The Hillman method is set forth and explained in detail in his testimony, and lengthy cross-examination was had. The subject matter is one of expert railroad accounting, upon which the master must form his conclusions according to the weight of evidence drawn from expert sources. The petitioners have produced the testimony of men of high standing and large experience in railroad operation and accounting in support of their basis of division. Mr. Hillman stands alone in opposition to their views. The revenue train-mile basis was adopted and came into general use by railroads without reference to rate litigation, but for the purpose of determining the cost and profit of operation for the railroad's own corporate purposes, and the testimony of the witnesses for petitioners is free from the common criticism applied to expert testimony. Railroads have both the freight and passenger rate questions to meet. Unless, therefore, the Hillman method as explained by its author is of itself so persuasive of its merits as to overcome this general judgment of men specially equipped in this particular field, there can be no doubt that the weight of the testimony is on the side of the petitioners.

The interstate-commerce classification of accounts has been followed in this case and is set forth in the exhibits. There are in all five blocks in these accounts: (1) Maintenance of way and structures, (2) maintenance of equipment, (3) traffic expenses, (4) transportation expenses, (5) general expenses, and a total of 108 different accounts.

The criticism made of the revenue train-mileage basis is that it is arbitrary, involves many assumptions, does not reflect the use of the facilities, the upkeep of which causes the expense, and is at best a rough approximation. This criticism involves the claim for the Hillman method of elimination of these objections, or at least of such a substantial reduction of them as to entitle it to be substituted as producing a more reliable result. Mr. Hillman himself claims for his methods of division practical accuracy.

Reference to some only of the items of common expense will be sufficient for the purposes of this report.

*Account No. 2 in the first block of accounts (maintenance of way and structure)—Ballast.*—Petitioners for the year ending June 30, 1909 charge to passenger expense $852.09 (Exhibit 8) upon the revenue train-mileage basis. Mr. Hillman charges only $424.68 out of a total freight and passenger expense of $1,860.76. He first divides the expense into two parts—that caused by wear, which he estimates at 10 per cent, following a holding of the Wisconsin Railroad Commission in Buell *v.* Chicago, Milwaukee & St. Paul Railway Co., and that caused by weather, which he estimates at 90 per cent. He then divides 10 per cent, assumed to be due to wear between freight and passenger, upon the basis of train weights passing over the track, and the remaining 90 per cent upon the basis and in the proportions of earnings, freight and passenger. In arriving at this result he assumes:

(1) That the percentage attributed to wear and weather are correct, or substantially so, there being no available statistics upon the question.

(2) That the extra speed of a passenger train equalizes the lower adjustment of the freight train in destructive effect upon the ballast.

(3) That the kind of ballast used makes no difference in the percentages.

(4) That the freight train weights upon the Chicago, Peoria & St. Louis Railroad are obtained with substantial correctness by multiplying the number of freight-car miles by the average weight of a freight car in use generally on railroads; to this adding the ton miles of the live freight and to this the weight of the engine and tender multiplied by the engine miles, the weight of the engine being figured upon a general average basis: That the passenger-train weights ar obtained with substantial accuracy in a similar manner, allowing 150 pounds per passenger and the same weight of express, mail, and baggage, making a total of 300 pounds as the weight of a passenger, express, mail, and baggage.

All of these assumptions are controverted and, obviously, in the absence of statistics upon the general questions and data relating to the particular railway, the conclusions drawn and computations made based upon them are unreliable and represent merely an individual opinion.

The only reason assigned for dividing 90 per cent of this expense in proportion to freight and passenger earnings is that it is an expense the unit of which does not exist in the operation of the road and that the earnings are the source from which the expense must be paid.

There has been much discussion in the briefs of counsel as to the proper factor to be used in dividing the common expense due to wear of ballast, ties, rails, roadway, and tracks and some other accounts. It is conceded, as it obviously must be, that the weight of trains has an effect and that this effect can not be ignored. Respondents say that the train-mileage basis ignores train weights entirely, while petitioners deny that this is so. The true situation is that while no particular percentage of the expense is assigned to weight nor is it used as a component factor of any formula, yet its consideration is involved as one of the elements entering into the train-mileage basis. Mr. Taylor's opinion is that weight alone is not a fair factor because a minor one. Mr. Blauvelt says, in testifying in support of the train-mile basis, that it takes into consideration all the factors.

Mr. Storey did say that the train-mile basis, without an assumption that every train was of a certain weight would be "a poor measure of relative deterioration," but it is clear from his testimony, as a whole, that what he meant was that it was fair to assume that each train had the same destructive influence upon the track, weight, speed, and other elements considered. "You have got," he says. "to take all kinds of elements, and then in the end form a judgment alone. There is no absolute measure."

The train-weight basis as applied by Hillman ignores some important factors. One of these is the number of points of contact where the weight rests; another, the fact that the locomotive does as much or more damage to the track than the following train; and, that it is necessary to keep the track in much better condition, because of the higher speed of passenger trains than would be necessary if the track were used for freight trains only, a fact which is illustrated in actual operation where two tracks are maintained, one for passenger and the other for freight service.

Account No. 6, roadway and track, for the year ending June 30, 1909, amounts, as computed on the train-mileage basis used by petitioners, to $30,363.86 (Exhibit 8), while the Hillman method produces only $15,494.75 (respondents' corrected Exhibit 2).

In the division of this account between wear and weather Hillman takes the various wear percentages he has already used for the prior accounts: Nos. (2), ballast, 10 per cent wear, 90 per cent weather; (3), ties, 17.5 per cent wear, 82.5 per cent weather; (4), rails, 90 per cent wear, 10 per cent weather; (5), other track material, 90 per cent wear, 10 per cent weather, together with those afterwards used for the following accounts: Nos. (8), bridges, trestles, and culverts, 15 per cent wear, 85 per cent weather; (10), grade crossings, fences, cattle guards, and signs, 25 per cent wear, 75 per cent weather, and applies each of these percentages, respectively, to the amount in dollars and cents of the particular account, adds together into one total sum the various sums thus obtained representing wear, and then applies the percentage which the amount produced is of the total amount, representing both wear and weather, to the sum total of common expenses in this account. Having thus obtained his percentages for division between wear and weather, he then divides the weather proportion on the basis of earnings and the wear proportion on the basis of train weights.

All of the assumptions involved in the accounts 2, 3, 4, 5, 8, and 10 are necessarily involved in this division, and, in addition, the process is by the use of averages. This division further illustrates the constantly recurring effect of assumptions indulged with respect to one account entering into the other and the intermingling in the result produced of unrelated items of expense.

*Account No. 13, telegraph and telephone lines.*—Hillman's division of this account is one half on the revenue train-mile basis and the other half upon the car-mile basis. This division is admitted to be without data to support it and is purely arbitrary.

*Account No. 22 on petitioners' Exhibit No. 8, No. 18 on respondents' corrected Exhibit 2—Maintaining joint track yards and other facilities.*—Petitioners' computation for the year ending June 30, 1909, shows total expense chargeable to passenger traffic $12,731.35, while Hillman shows only $8,335.17, which, according to the formulæ shown in respondents' corrected Exhibit 7, he professes to have allocated. Of course it is manifest and agreed by the parties that allocation—meaning thereby the direct charging of an expense caused by one branch of the service to that branch—should always, where possible, be adopted, and if Mr. Hillman had done this there could be no question of the propriety of his treatment of this account. He says that he gave particular attention to this account; that his analysis is especially his own work, and that he personally

examined all the vouchers. The terminals are at six places: (1) Springfield; (2) between Peoria and Pekin, including the terminals at both cities; (3) St. Louis; (4) Ridgely and the tower at Alton; (5) Jacksonville; (6) Madison. Common expenses at Springfield he professes to divide partly upon the basis of train-miles, including switching.

Peoria and Pekin common terminal expenses he professes to divide upon a wheelage basis. St. Louis and Madison expenses are allocated to each branch. Ridgely and Jacksonville common expenses he divides upon the revenue the basis of other maintenance accounts and partly upon the train-mile basis.

Cross-examination developed many errors in the analysis of the various amounts used by Hillman, and it is conceded by respondents' counsel that he was in error in basing his division of Peoria and Pekin union bills on the switching bills instead of the joint mileage statement of engines and cars of the Chicago, Peoria & St. Louis Railway passing over the P. P. U. tracks from Pekin to Peoria. It is said, however, that this error only makes a difference of $894.61. He divided $3,295.34, part of this account accruing at Springfield on the train-mile basis upon the assumption that the expense was mainly for the upkeep of crossings and crossing towers, when in fact it included $1,399.45 paid for the maintenance of the Madison Street track and $598.63 paid for the upkeep of the passenger station. It is clear that the results arrived at are unreliable and that neither in process nor results does the division made represent an "allocation" in the sense in which that term has been used in this proceeding.

Passing for further illustration to the second block of accounts—maintenance of equipment.

Account 24, superintendence, is divided by Hillman as is the same account under maintenance of way and structures No. 1 and under transportation expenses No. 61 upon the basis of all other accounts in the block, and therefore is affected by every valid criticism of these other accounts. This is true of a number of accounts and of the entire fifth block of accounts, general expenses, 106 to 116, which are divided upon the basis of all the preceding divisions of accounts. The process of separate analysis of each item of common expense instead of using one basis for many appears upon the surface to have merit, but when the process is set forth in detail and applied to the various items the claim of superiority turns out to be more specious than real. Arbitraries, presumptions, opinions, averages, and approximations have not been eliminated and certainly substituted in their place, but instead of one yardstick admittedly inaccurate but in general use as practically satisfactory there are many yardsticks also inaccurate and without other sanction than an individual opinion.

Sufficient reference has been made to particular items for the purpose of showing the general effect of the application of the Hillman methods to the entire list of common expenses, and the final question is whether his unsupported individual opinion is to be accepted or the judgment of many men of larger experience.

The same sort of testimony was given in the Minnesota case, Shepard *v.* Northern Pacific Railway (184 P. R., 765), where the master—and later, upon exceptions, the court—rejected the methods advocated by Hillman and adopted the train-mileage basis, which was also the basis used in the Missouri and Oklahoma rate cases. The weight of the testimony upon this question I find to be with the petitioners.

### DIVISION OF COST BETWEEN STATE AND INTERSTATE PASSENGER TRAFFIC.

Petitioners' division of cost between State and interstate passenger traffic is upon the revenue basis and is set forth for the year ending June 30, 1908, and June 30, 1909, in Exhibits 11 and 12. The computation includes also an extra cost of 15 per cent applied to operating expenses only of State traffic over interstate.

Respondents' method of division is set forth in Exhibit 7, and is not expressed in a single formula but proceeds according to Mr. Hillman's individual view throughout the list of accounts.

As in the case of the division of common expenses between freight and passenger traffic many witnesses of experience have testified in support of the method applied by petitioners. That there is an excess cost of carrying State passengers over interstate is clear. The evidence would justify a larger percentage than that used by petitioners to represent it. The cause of this excess cost arises from the shorter haul of State passengers, the more frequent start-

ing and stopping of trains and consequent wear upon track, roadway, and equipment, greater consumption of fuel, greater use of terminal facilities, more frequent exposure of person and baggage to injury, the sale of more tickets, the checking of baggage, the printing of more tickets, greater accounting expense.

The Chicago, Peoria & St. Louis has 244 miles of track and the average length of haul of a State passenger for the year ending June 30, 1909, was 18.72 miles, of an interstate passenger 50.26 miles.

Because the apportionment of expense contended for by respondents is supported only by the individual judgment of Mr. Hillman while the apportionment made by petitioners is supported by the judgment of many witnesses who have had large experience in practical railroad operation; because further the Hillman method is not of itself to the mind of the master persuasive of its superiority and because cases thus far adjudicated have sanctioned the method used by petitioners, it is adopted for the purposes of this report as being supported by the weight of the evidence, not as being mathematically accurate, but as producing a more equitable result than the more detailed and complicated method employed by Hillman.

DIVISION OF PROPERTY VALUATION BETWEEN FREIGHT AND PASSENGER BUSINESS.

After considerable testimony had been taken on behalf of petitioners as to the value of the railway property it was stipulated that for the purposes of this case the value of the property used by it during the two years ending July 1, 1909, and thereafter by the receivers for the conduct of its business as a common carrier of freight and passengers within the State of Illinois was and still is $5,500,000. Petitioners divide this valuation upon the basis of gross revenue using the operations for the two years ending June 30, 1909. This results in a valuation of $927,994.98 for the property used in State passenger business. For respondents, Mr. Hillman professes to divide the total property upon the expense basis whereby he arrives at a valuation of $814,011.71 for the same property assigning as his reason for using this basis that in computing the expenses between freight and passenger he had employed the factors which show the use of the property. The evidence does not warrant the statement that the factor which expresses the use has been applied in all cases. None of the expenses caused by weather have been so computed.

In the division of maintenance and way and structures accounts much more of the expense is assigned to weather than to wear, and such expense is extraneous to use. Nor does the expense basis appear, even though based on use to be a more equitable one than the gross earnings basis. There is of course no accurate basis for making this division, and the earnings basis is open to objection. Nevertheless for the reasons given in the Minnesota case where the court says: "Because these bases (referring to the ton-mile, passenger-mile, car-mile, engine-mile, passenger car-mile, and passenger engine-mile) ignore the differences in the classes of freight carried and in the distances they are hauled, because the apportionment of the value of railroad property on the basis of the gross earnings of the classes of business which disclose approximately the values of their uses of it, gives effect to these material differences, appeals more persuasively to the reason and produces results more equitable than any other basis suggested, and because this basis has commended itself to the judgment of and has been adopted by the courts in like cases the master was justified in following their decisions," the earnings basis and valuation made thereon was adopted.

VALUE OF USE TO THE PUBLIC.

Counsel for respondents contend that there is no proof that a higher rate than 2 cents a mile will be fair to the public. The rule is as stated in Smyth *v.* Ames (169 U. S., 466) and quoted in the brief of counsel, "What the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience. On the other hand, what the public is entitled to demand is that no more be exacted from it for the use of a public highway than the services rendered by it are reasonably worth."

Ordinarily cost of production with a reasonable profit added determines the value of the product to the purchaser. This test of value assumes normal conditions attending the production. In the absence of proof of special circumstances such as those suggested in Reagan *v.* Trust Co. (154 U. S., 412) waste

in the management of the road, enormous salaries, unjust discrimination as between individual shippers, construction at a time when material and labor were at the highest price or in localities where there is not sufficient business to sustain a road, proof of the cost of production makes at least a prima facie case.

Counsel for respondents upon this branch of the case argue that the Chicago, Peoria & St. Louis Railway was unwisely built, and invoke further the doctrine laid down in Covington *v.* Sanford (164 U. S., 578), "If the establishment of new lines of transportation would cause a diminution of the number of those who need to use the road * * * that is not in itself a sufficient reason why the corporation operating the road should be allowed to maintain rates that would be unjust to those who must and do use the property."

The argument of counsel is based upon the present existence of the competitive lines of the Chicago & Alton and Illinois Traction systems, the latter an electric interurban of recent construction. Counsel use five important terminal stations for comparison with the Chicago & Alton Railroad, showing a considerably shorter mileage than by the Chicago, Peoria & St. Louis Railway. On the other hand, counsel for petitioners point to other important stations where the comparison is inapplicable and where their road is the direct line, and, besides, counsel say that there is no evidence in this case that 2 cents a mile is compensatory to the Chicago & Alton Railroad. A finding upon evidence of this character that a rule in excess of 2 cents a mile is unjust to the public would lack substantial support and would be merely speculative. Density of population is one of the greatest factors in determining the reasonableness of a rate. Comparisons between rates are of little value unless all the elements that enter into the problem are presented. (Smythe *v.* Ames, supra.) For a like reason the comparative table presented in respondents' Exhibit 6 is not regarded as of value.

From the evidence in this case it appears that to be compensatory a maximum rate of 3 cents a mile is necessary. It seems to the master that the rights of the public at noncompetitive points upon this railroad would be adequately protected by conditioning the grant of relief, so that a rate of 3 cents should be the maximum chargeable between any stations on its line within the State.

### REVENUES.

The amount of intrastate passenger revenue as computed by the accountant for the petitioners for the year ending June 30, 1909, is $261,339.36, while the computation made by the accountant for respondents is $261,145.62. The difference is trifling and does not affect the final result sufficiently to merit discussion.

### FINDINGS.

From the evidence, therefore, and in accordance with the views herein expressed, I find:

I. That the total value of the Chicago, Peoria & St. Louis Railway property used during the two years ending July 1, 1909, and thereafter, by the receivers for the conduct of its business as a common carrier of freight and passengers within the State of Illinois is the sum of $5,500,000.

II. That the most equitable basis of division of this total valuation between the freight and passenger traffic is that of gross earnings, and that upon this basis the value of said property used during the same period for the transportation of passengers within the State of Illinois is the sum of $927,994.98.

III. That the most equitable bases of division of expenses common to the freight and passenger traffic, which can not be allocated directly to either, are those set forth in Exhibit 2, whereby most of these expenses (reference being had to the exhibit) are divided upon the basis of revenue train mileage.

IV. That 6 per cent per annum is a reasonable net return upon the value of the railway property used in the transportation of passengers within the State of Illinois. The net annual income upon this basis would be the sum of $55,679.69.

V. That the expenses of the intrastate passenger business for the year ending June 30, 1908, amounted to $256,923.32, while revenue from the same source amounted to $248,890.91, leaving a deficit of $8,032.31 in the net earnings; that the expenses of the intrastate passenger business for the year ending June 30, 1909, amounted to the sum of $260,544.56, while the revenue from the same

source amounted to $261,339.36, resulting in a surplus of net earnings amounting to $794.80. (Exhibits 3 and 4.)

VI. That the effect of the operation of the maximum-rate law passed by the Legislature of the State of Illinois in the year 1907 is to deprive petitioners of a reasonable return upon the value of the Chicago, Peoria & St. Louis Railway property devoted to passenger traffic within the State of Illinois, and that a maximum rate of 3 cents a mile chargeable to passengers using its line within the State would not be unjust to the public.

CONCLUSION.

From the foregoing findings I conclude:

That the act of the Legislature of the State of Illinois passed in the year 1907 entitled "An act to establish and regulate the maximum rate of charges for the transportation of passengers by corporations of companies operating or controlling railroads in part or in whole in this State and to provide penalties for the violation of the provisions thereof and repealing all acts or parts of acts in conflict therewith," is confiscatory and operates to deprive petitioners of the power to earn reasonable compensation for the services rendered in the carriage of passengers without due process of law and to deny them the equal protection of the laws, in violation of the Constitution of the United States, and that said act, so far as petitioners are concerned, is void and of no effect, and petitioners are entitled to a decree as prayed in their intervening petition.

It is recommended, however, that such decree be so conditioned that rate of 3 cents a mile shall be the maximum chargeable to intrastate passengers on the line of said railway.

Respectfully submitted.

_____ _____,
*Master in Chancery.*

OPINION.

SANBORN, *District Judge:* A technical question of jurisdiction was raised in the former circuit court by demurrer and later by answer to the effect that the receivers' injunction petition was not ancillary to the foreclosure suit, because the subject matter of the petition is wholly unrelated to the subject matter of the bill. The demurrer was overruled by the circuit court, upon the authority of Ex parte Young (209 U. S., 123, 144; 28 Sup. Ct., 441; 52 L. Ed., 714), holding that a Federal question is raised in suits like this, and Compton *v.* Jessup (68 Fed., 264; 15 C. C. A., 397), Blake *v.* Pine Mountain Coal Co. (76 Fed., 624; 22 C. C. A., 430), and like cases, holding that petitions similar to this are ancillary to the main suit and thence within the jurisdiction. We are entirely satisfied that the jurisdiction was properly sustained.

The Chicago, Peoria & St. Louis Railroad was operated at a loss during the fiscal years of 1908 and 1909, and on June 30, 1909, the total deficit was $202,071.60. A foreclosure suit was at once begun, and this intervening petition was filed in that suit. Compliance with the 2-cent maximum passenger rate act of Illinois by the road was in part responsible for the deficit. Receivers were appointed, who operated the road under the same conditions up to October 13, 1909, when they filed this petition, alleging that the maximum-passenger-rate act as applied to this railroad was confiscatory and constituted a taking of its property without due process of law. A temporary injunction was issued prohibiting the enforcement of the statute as to this road; the receivers thereupon put in force a 3-cent rate, with 1-cent coupons, as provided in the injunctional order.

The question now before us is whether the evidence shows the Illinois rate to be confiscatory, as applied to this particular railroad, in respect to passenger returns.

Earnings from the State passenger business, including mail, express, and similar returns from the running of passenger trains, are readily found. Expenses directly chargeable to such business may also be figured with reasonable certainty. But the "common expenses," so called, like maintenance of the line, the equipment, traffic, and general expenses, and their proper distribution, between freight and passenger business, present much difficulty. The master, following the great weight of the expert testimony, as well as the decisions of the courts, has adopted and applied what is known as the "revenue train-mile" basis in the distribution of these common expenses between the freight business,

State and interstate, and the passenger. On such basis the road was not earning a fair return from its State passenger business up to the time of the receivership, and the master concludes that the injunction should be made permanent, and the receivers allowed to charge 3 cents a mile for passenger service.

The revenue train-mile basis of apportionment, as between freight business and passenger business, is applied to expenses not directly apportionable (called "common expenses") by the following method: The ninth annual report of the company shows the train mileage for 1909 of passenger trains, 446,540; freight trains, 532,962; mixed trains, 790; and special trains, 338. All but the last were revenue-producing trains. Excluding the special trains, whose character is not shown, the total train mileage was 980.292. Of the mixed trains one-fourth of the mileage was allowed to passenger service, the balance to freight. The total passenger miles would therefore be 446,737.5 and the freight 533,554.5; total, 980,292; and the passenger percentage 45.57. The year 1909 is taken, instead of the year 1908 (June 30 to June 30), because showing a nearer recovery from the panic of 1907, and thus being closer to normal conditions. Thus, taking the common expense of superintendence for the year, which was $7,891.59, the passenger proportion would be $3,610.50, a difference of $4.31. This method of apportionment was applied to all the common expenses, in order to ascertain what part were passenger expenses, with the modifications referred to in Exhibit 2, shown on another page.

Next it was necessary to find the proportion of State and passenger expense. This was done by finding the State and interstate revenues. It was found that the State passenger returns for 1909 were $261,339.26; interstate, $48,217.58; mail, express, and miscellaneous income earned by passenger trains, undivided as between State and interstate, $54,974.46; being a total of $364.531.40. By applying the revenue train-mile basis to all common expenses for 1909, and allocating all direct passenger expense, it was found that both these kinds of expense, including the proper share of taxes and hire of equipment, amounted to $350,914.45, which was the expense of producing the $364,531.40; also that the State passenger expense was $326,326.75. It was then found that the State passenger revenue represented 71.69 per cent of the total passenger revenue, the interstate 13 23 per cent, and express, mail, and miscellaneous 15.08 per cent. It was also shown by testimony for the receivers that it costs about 15 per cent more to handle the State passenger business than it does the interstate, because of the shorter haul of State passengers and other reasons. By applying the additional 15 per cent to the operating expense it was found that 2.75 per cent of such expense, or $8,937.99, should be added to the State passenger expense, the final result being that the State passenger business for 1909 earned a net return of $794.80, or less than 1 per cent. This method is approved in Chicago, etc., Co. *v.* Tomkins (176 U. S., 179; 20 Sup. Ct., 336; 44 L. Ed., 417); Smyth *v.* Ames (169 U. S., 466; 18 Sup. Ct., 417; 42 L. Ed., 819); and Louisville & Nashville Railroad Co. *v.* Railroad Commission (196 Fed., 800, 824).

In order to find what the road was fairly entitled to earn on its passenger business in 1909 the total value of the railroad in that year was found to be $5,500,000. These figures were agreed to by both sides, and are supported by the testimony. To obtain the proportion of the passenger value, State, interstate, and mail, and express the total revenue of $1,554,600.37 was taken, and the total passenger revenue found to be 23.45 per cent of this, making the valuation of the passenger proportion $1,292,329.35; 71.69 per cent of this, or $926,464.46 represents the State passenger valuation. This should fairly earn 6 per cent, or $55,587.87. On this basis the earnings for 1909 were about $55,000 too small. That this is the proper rule see Smyth *v.* Ames, supra, and Missouri, K. & F. Ry. Co. *v.* Love (177 Fed., 463) (the Oklahoma case).

The plan for formula of division or allocation of expense for each fiscal year adopted by the master, and recommended by the testimony of substantially all the witnesses, except Mr. Hillman, is as follows:

(A) To the revenue freight train mileage 75 per cent of the mixed train mileage is added, and to the revenue passenger train mileage 26 per cent of the mixed train mileage is added, and the common expenses are apportioned on the percentage thus obtained. The mixed train mileage is treated in this manner wherever revenue train mileage is used in apportioning common expenses.

(B) Expenses incurred solely in the passenger business were charged to passenger and expenses which could not be separated between freight and passenger, but were common to both, were divided in the ratio which the passenger revenue train mileage bore to the total revenue train mileage.

(C) When the expense was upon a locomotive engaged in straight passenger service, the expense was charged to passenger. When the expense was upon a locomotive which had made both freight and passenger miles during the month, there was charged for each passenger mile made by that locomotive the average cost per mile of like expense on locomotives in straight passenger service.

(D) These are expenses which were incurred solely in the passenger service.

(E) Expenses incurred solely in the passenger business were charged to passenger, and expenses which could not be separated between freight and passenger, but were common to both, were divided in the ratio which the total passenger revenues bore to the total freight and passenger revenues.

(F) Expenses incurred for a particular yard were charged to passenger in the ratio which the number of passenger cars bore to the total freight and passenger cars there handled. Expenses of a general character incurred in all yards were charged to passenger in the ratio which the total number of passenger cars bore to the total number of freight and passenger cars handled in all yards.

(G) Where the information obtainable showed wrecks to be passenger, the expense was charged to passenger; in months in which passenger wrecks occurred all expense which could not be allocated directly was charged to passenger in the ration which the passenger revenue train mileage bore to the total revenue train mileage.

Applying this formula to the classification of expense accounts in use on most railroads, recommended by the Interstate Commerce Commission, we obtain the following for the fiscal year 1909 (wherever the passenger percentage is 45 and a fraction the figures in the passenger column represent the revenue train-mile basis): When less than 45 a direct allocation to the freight business is indicated, and when greater than 45 a like allocation to the passenger.

*Direct and common expense table.*

| | Total expense. | Freight. | Passenger. | Per cent passenger. |
|---|---|---|---|---|
| I. MAINTENANCE OF WAY AND STRUCTURES. | | | | |
| 1. Superintendence (A) | $11,592.09 | $7,891.59 | $3,610.50 | 45.76 |
| 2. Ballast (A) | 1,860.76 | 1,008.67 | 852.09 | 45.79 |
| 3. Ties (A) | 37,242.08 | 21,582.61 | 15,659.47 | 42.05 |
| 4. Rails (A) | 2,843.83 | 1,952.03 | 891.80 | 31.36 |
| 5. Other track material (A) | 11,702.55 | 7,594.04 | 4,108.51 | 35.11 |
| 6. Roadway and track (A) | 74,891.98 | 44,528.12 | 30,363.86 | 40.54 |
| 7. Removal of snow, sand, and ice (A) | 1,191.26 | 713.10 | 478.16 | 40.14 |
| 8. Tunnels (none) | | | | |
| 9. Bridges, trestles, and culverts (A) | 23,714.98 | 12,801.68 | 10,913.30 | 46.02 |
| 10. Crossings (over and under) (A) | 24.97 | 11.88 | 13.09 | 52.42 |
| 11. Grade crossings, cattle guards, and signs (A) | 6,033.20 | 3,205.56 | 2,827.64 | 46.87 |
| 12. Snow and sand fences and snowsheds (none) | | | | |
| 13. Signal and interlocking plants (A) | 586.39 | 320.71 | 265.68 | 45.32 |
| 14. Telegraph and telephone lines (A) | 5,106.25 | 2,805.76 | 2,300.49 | 45.85 |
| 15. Electric power transmission (none) | | | | |
| 16. Buildings, fixtures, and grounds (A) | 8,465.75 | 4,596.56 | 3,869.25 | 45.71 |
| 17. Docks and wharves (none) | | | | |
| 18. Roadway, tools, and supplies (A) | 2,521.26 | 1,394.55 | 1,126.71 | 44.69 |
| 19. Injuries to persons (A) | 1,080.66 | 575.23 | 505.43 | 46.77 |
| 20. Stationery and printing (A) | 100.67 | 54.91 | 45.76 | 45.76 |
| 21. Other expenses (A) | 1,011.90 | 541.72 | 470.18 | 46.77 |
| 22. Maintaining joint tracks and other facilities—Dr. (B) | 28,964.66 | 16,233.31 | 12,731.35 | 43.95 |
| 23. Maintaining joint tracks and other facilities—Cr. (B) | 9,392.17 | 7,553.35 | 1,838.82 | 19.58 |
| Totals [1] | 205,752.57 | 116,558.12 | 89,194.45 | 43.35 |
| II. MAINTENANCE OF EQUIPMENT. | | | | |
| 24. Superintendence (A) | 15,990.90 | 8,754.64 | 7,236.26 | 45.26 |
| 25. Steam locomotives, repairs (C) | 98,164.44 | 79,961.26 | 18,203.18 | 18.54 |
| 26. 26. Steam locomotives, renewals (none) | | | | |
| 27. Steam locomotives, depreciation (C) | 13,207.44 | 11,218.80 | 1,988.64 | 15.06 |

[1] This is a deduction and not an addition.

*Direct and common expense table*—Continued.

| | Total expense. | Freight. | Passenger. | Per cent passenger. |
|---|---|---|---|---|
| II. MAINTENANCE OF EQUIPMENT—continued. | | | | |
| *Electric locomotives.* | | | | |
| 28. Repairs (none) | | | | |
| 29. Renewals (none) | | | | |
| 30. Depreciation (none) | | | | |
| *Passenger train cars.* | | | | |
| 31. Repairs (B) | $18,771.81 | $100.00 | $18,671.81 | 99.50 |
| 32. Renewals (none) | | | | |
| 33. Depreciation (B) | 3,067.96 | | 3,067.96 | 100.00 |
| 34. Freight cars, repairs (B) | 179,254.68 | 179,254.68 | | |
| 35. Freight cars, renewals (B) | 2,573.08 | 2,573.08 | | |
| 36. Freight cars, depreciation (B) | 31,081.03 | 31,081.03 | | |
| *Electric equipment of cars.* | | | | |
| 37. Repairs (none) | | | | |
| 38. Renewals (none) | | | | |
| 39. Depreciation (none) | | | | |
| *Floating equipment.* | | | | |
| 40. Repairs (none) | | | | |
| 41. Renewals (none) | | | | |
| 42. Depreciation (none) | | | | |
| *Work equipment.* | | | | |
| 43. Repairs (A) | 2,473.99 | 1,343.41 | 1,130.58 | 45.70 |
| 44. Renewals (A) | 130.11 | 70.71 | 59.90 | 46.04 |
| 45. Depreciation (A) | 1,602.42 | 870.91 | 731.51 | 45.65 |
| 46. Shop, machinery, and tools (A) | 6,097.37 | 3,271.15 | 2,826.22 | 46.35 |
| 47. Power-plant equipment (none) | | | | |
| 48. Injuries to persons (A) | 941.76 | 593.59 | 348.17 | 36.97 |
| 49. Stationery and printing (A) | 327.63 | 183.00 | 144.63 | 44.15 |
| 50. Other expenses (A) | 1,016.04 | 555.82 | 460.22 | 45.30 |
| 51. Maintaining joint equipment at terminals—Dr. (D) | 231.54 | 210.54 | 21.00 | .09 |
| 52. Maintaining joint equipment at terminals—Cr. (D) | 17.91 | | | |
| Total | 374,914.28 | 316,039.19 | 548,751.09 | 14.63 |
| III. TRAFFIC EXPENSES. | | | | |
| 53. | | | | |
| 54. Superintendence (D) | 27,184.78 | 20,637.03 | 6,547.75 | 24.09 |
| 55. Outside agencies (D) | 36,817.38 | 33,437.79 | 3,379.59 | 9.18 |
| 56. Advertising (D) | 1,587.88 | | 1,587.88 | 100.00 |
| 57. Traffic associations (D) | 1,228.54 | 1,179.48 | 49.06 | 3.99 |
| 58. Fast freight lines | 1,087.72 | 1,087.72 | | |
| 59. Industrial and immigration bureaus (none) | | | | |
| 60. Stationery and printing (B) | 5,802.07 | 5,078.14 | 723.93 | 12.48 |
| Other expenses (none) | | | | |
| Totals | 73,699.37 | 61,411.16 | 12,288.21 | 16.67 |
| IV. TRANSPORTATION OTHER THAN TRAIN EXPENSES. | | | | |
| 61. Superintendence (A) | 13,851.07 | 7,573.83 | 6,277.24 | 45.32 |
| 62. Dispatching trains (A) | 15,438.54 | 8,840.81 | 6,597.73 | 45.06 |
| 63. Station employees (A) | 81,444.29 | 72,703.22 | 8,741.07 | 10.73 |
| 64. Weighing and car service association | 3,022.22 | 3,022.22 | | |
| 65. Coal and ore docks (none) | | | | |
| 66. Station supplies and expenses (A) | 6,190.25 | 3,392.46 | 2,797.79 | 45.20 |
| 67. Yardmasters and clerks (F) | 12,149.72 | 11,992.28 | 159.41 | 1.31 |
| 68. Yard conductors and brakemen (F) | 27,036.86 | 26,397.21 | 639.65 | 2.37 |
| 69. Yard switch and signal tenders (F) | 608.40 | 597.07 | 11.33 | 1.86 |
| 70. Yard supplies and expenses (F) | 560.22 | 550.83 | 9.39 | 1.68 |
| 71-76. (See next head.) | | | | |
| 77. Operating joint yards and terminals—Dr. (B) | 97,996.33 | 84,477.42 | 13,518.91 | 13.80 |
| 78. Operating joint yards and terminals—Cr. (B) | 1,786.82 | 1,735.16 | 51.66 | 2.89 |
| 79-89. (See next head.) | | | | |
| 90. Interlockers, block, and other signals (B) | 3,017.32 | 1,804.87 | 1,212.45 | 40.19 |
| 91. Crossing flagmen and gatemen (B) | 3,980.62 | 2,293.38 | 1,687.24 | 42.39 |
| 92. Drawbridge operation (none) | | | | |
| 93. Clearing wrecks (G) | 3,154.43 | 2,169.30 | 985.13 | 31.22 |
| 94. Telegraph and telephone operation | 1,784.13 | 1,470.90 | 313.23 | 17.56 |

*Direct and common expense table*—Continued.

| | Total expense. | Freight. | Passenger. | Per cent passenger. |
|---|---|---|---|---|
| IV. TRANSPORTATION OTHER THAN TRAIN EXPENSES—continued. | | | | |
| 95. Operating floating equipment (none) | | | | |
| 96. Express service (none) | | | | |
| 97. Stationery and printing (B) | $7,360.76 | $4,476.91 | $2,883.85 | 39.18 |
| 98. Other expense (B) | 1,515.94 | 1,164.42 | 351.52 | 23.19 |
| 99. Loss and damage, freight | 16,789.59 | 16,789.59 | | |
| 100. Loss and damage, baggage (D) | 1.24 | | 1.24 | 100.00 |
| 101. Damage to property (B) | 5,522.39 | 2,400.31 | 3,122.08 | 56.54 |
| 102. Damage to stock on right of way (B) | 2,159.84 | 1,426.36 | 733.48 | 33.96 |
| 103. Injuries to persons (B) | 32,541.63 | 26,728.94 | 5,812.69 | 17.86 |
| 104. Operating joint tracks and other facilities—Dr. (B) | 11,527.19 | 6,611.17 | 4,916.02 | 42.65 |
| 105. Operating joint tracks and other facilities—Cr. (B) | 3,003.92 | 1,997.43 | 1,006.49 | 33.50 |
| Total | 342,862.64 | 282,789.31 | 60,073.33 | 17.52 |
| V. TRAIN TRANSPORTATION. | | | | |
| 71. Yard enginemen (F) | 15,836.12 | 15,472.65 | 363.47 | 2.29 |
| 72. Engine-house expenses, yard engines (F) | 4,652.47 | 4,564.80 | 87.67 | 1.88 |
| 73. Fuel, yard engines (F) | 12,523.97 | 12,230.21 | 293.66 | 2.34 |
| 74. Water, yard engines (F) | 1,550.26 | 1,506.38 | 43.88 | 2.83 |
| 75. Lubricants, yard engines (F) | 850.58 | 831.55 | 43.88 | 2.83 |
| 76. Other supplies, yard engines (F) | 495.20 | 485.10 | 10.10 | 2.24 |
| 79. Motormen (none) | | | | |
| 80. Road enginemen (D) | 77,972.24 | 51,110.98 | 26,861.26 | 34.45 |
| 81. Engine-house expense, road engines (B) | 21,144.60 | 11,661.81 | 9,482.79 | 44.86 |
| 82. Fuel, road engines (C) | 113,804.15 | 82,654.74 | 21,149.41 | 20.38 |
| 83. Water, road engines (B) | 8,199.25 | 4,765.63 | 3,433.62 | 41.88 |
| 84. Lubricants, road engines (C) | 4,506.75 | 3,290.09 | 1,216.66 | 27.00 |
| 85. Other supplies, road engines (C) | 3,060.61 | 2,653.84 | 406.77 | 13.29 |
| 86. Operating power plants (none) | | | | |
| 87. Purchased power (none) | | | | |
| 88. Road trainmen (D) | 71,322.92 | 56,366.48 | 14,956.44 | 20.97 |
| 89. Train supplies and expenses (B) | 20,969.65 | 13,614.41 | 7,355.24 | 35.08 |
| Total | 346,889.47 | 261,209.17 | 85,680.30 | 24.70 |
| VI. GENERAL EXPENSES. | | | | |
| 106. Salaries and expenses of general office (A) | 14,178.44 | 7,760.28 | 6,418.16 | 45.27 |
| 107. Salaries, clerks and attendants (A) | 21,788.98 | 11,928.63 | 9,860.35 | 45.25 |
| 108. General office supplies and expenses (A) | 4,150.28 | 2,337.27 | 1,813.01 | 43.68 |
| 109. Law expense (A) | 8,075.22 | 4,442.81 | 3,632.41 | 44.98 |
| 110. Insurance (B) | 4,703.63 | 4,035.76 | 667.87 | 14.20 |
| 113. Stationery and printing (A) | 2,073.74 | 1,154.23 | 919.51 | 44.35 |
| 114. Other expense (A) | 1,675.03 | 944.82 | 730.21 | 43.60 |
| 115. General administration of joint tracks, yard, and other facilities—Dr. (D) | 477.88 | 303.73 | 174.15 | 36.44 |
| 116. General administration of joint tracks, yard and other facilities—Cr. (A) | 310.44 | | | |
| Total | 56,812.76 | 32,597.09 | 24,215.67 | 42.62 |
| Taxes | 51,401.14 | 39,294.33 | 12,106.81 | 23.55 |
| Hire of equipment—Dr | 9,762.11 | 9,762.11 | | |
| Hire of equipment—Cr | | | 517.44 | |
| Rentals, St. Louis Union Depot | 5,252.24 | | | |
| Other rentals, St. Louis | 9,097.20 | | | |
| Rentals, Illinois | 21,594.27 | | | |
| Total rentals | 35,943.71 | 22,945.38 | 12,998.33 | 36.16 |
| Total expenses | 1,498,038.05 | 1,147,123.30 | 350,914.75 | 23.42 |
| Total revenue | 1,564,833.10 | 1,200,301.70 | 364,531.40 | 23.23 |
| Net revenue for 1909 | 66,795.05 | 53,178.40 | 13,616.65 | 20.39 |
| Value of road | 5,500,000.00 | 4,207,679.65 | 1,292,320.35 | 23.45 |
| Net revenue.....per cent | 1.21 | 1.26 | | 1.05 |

It appears from the foregoing that the whole earnings of the road for 1909 were only 1.21 per cent upon the fair and conceded valuation. This small return resulted in part from the fact that the road is a comparatively small

one and partly because it meets with sharp competition by stronger lines and a well-developed trolley system. It appears inferentially from the testimony that its freight rates can not be increased. The only practicable escape open to the road, therefore, is to enlarge its passenger returns by obtaining authority to put in a 3-cent fare for State passengers. This is not to help out its loss on freight business, but to earn a fair return on the State passenger traffic. Hence the filing of this petition and the well-prepared case of the receivers, presenting a strong inference that the line was, in 1909, obtaining a very inadequate return upon its passenger business. Much expert testimony was taken to the effect that by applying common railroad bookkeeping the freight business in 1909 paid 1¼ per cent and the passenger 1 per cent.

The important question before the master, and now before us, is whether the best possible rules for dividing the expense between freight and passenger and between State and interstate passenger business have been applied. A more difficult question is rarely presented. For want of a better rule railway experts have adopted the revenue train mile as a fair (or as the least unfair) basis; that is, as the total passenger miles for a year are to the whole number of train miles (freight, passenger, and mixed, excluding switching, repair, and special trains not bringing in revenue), so is the common passenger expense which can not be directly applied (unknown) to the whole common expense (a known quantity).

Other bases for the division of common expenses, especially between intrastate and interstate freight and passenger business, are the straight revenue basis (or gross earnings' basis), train weights, ton miles, passenger miles, engine miles, etc. To apportion common expenses between intrastate freight and passenger business on the one hand and interstate business on the other, the straight revenue basis is sometimes used for certain expenses, as in the Arkansas Rate cases (187 Fed., 290, 355, 339, 341). To find the value assignable to the freight and passenger business, respectively, freight gross earnings (State and interstate) are taken to represent the freight value and passenger gross earnings the passenger value, as in Shepard *v.* Northern Pacific Railway Co. (184 Fed., 765, 811, 812). But for the apportionment of common expenses between freight business, State and interstate, and passenger business, State and interstate, no rule so satisfactory as the revenue train-mile basis has been discovered. This method of division at one time received the approval of the Interstate Commerce Commission, has been used by many railway companies for their own information in advance of any controversy on the subject, was adopted by the Wisconsin Railroad Commission in the Buell case (1 Wis. R. R. Co. Rep., 324), and is approved in several decided cases, particularly the Minnesota case (184 Fed., 765, supra). Judge Sanborn's discussion of this basis is on page 813, as the one used by the railway companies and adopted by the master.

The revenue train mile basis was also used in the Missouri Rate cases, St. Louis, etc., Co. *v.* Hadley (168 Fed., 317, 348), as appears from the language of Judge McPherson, on page 348, and by the testimony of Mr. Johnson in this case. He says this basis was applied by the expert State accountants, and approved by the court, as, indeed, appears in the report. Care must be taken in reading these cited opinions, as well as others, to distinguish between the division of common expenses between freight business (State and interstate) and passenger business, on one hand, and the division of earnings for valuation purposes, or the separation of common expenses between intrastate freight and passenger business, and interstate, on the other. None of the opinions are as clearly or carefully stated as they might have been in these respects, but a careful reading leaves no doubt whatever.

To illustrate the difficulty of treating accounts on bases other than the revenue train mile, take account No. 2, ballast, the total cost of which for 1909 was $1,860.76. Of this 90 per cent is supposed to be due to weather and 10 per cent to wear. The 10 per cent, or $186, may therefore be distributed between freight and passenger on the revenue train mile basis; 45.79 per cent, or $85.16, for passenger and $100.84 freight. How shall the weather proportion be divided? Weather bears no closer relation to gross earnings, or train weights, than it does to revenue train miles.

Any application of a weather expense between passenger and freight is unsatisfactory, and for want of a better plan it is divided on the revenue train mile basis. Ties, bridges, and culverts, grade crossings and fences, cattle guards and signs (all under the general head "Maintenance of way and structures") rest substantially on the same ground as ballast, while the others of the 19

primary accounts in this head are naturally divisible on the revenue train mile basis.

Under the second general head, "Maintenance of equipment," many of the primary accounts are directly allocated. The rest are fairly divisible between freight and passenger business upon the revenue train mile basis.

The third general account "Traffic expenses," does not bear as close a relation to the revenue train mile as the equipment group, but the amount of common expense distributed to passenger is relatively small. Most of the items have been directly allocated between freight and passenger.

The other two general accounts, 5 and 6, "Transportation expenses" and "General expenses," bear a closer relation to revenue train miles than to any other principle of division. Many of the items in these heads are divided by Mr. Hillman on the revenue basis.

On the whole, therefore, we are satisfied that the master has adopted the best method obtainable, one less unsatisfactory than any other which can be fairly applied. Whether we follow the great weight of evidence or the decisions cited, we may feel that justice has been done, and the master's findings and conclusions should be sustained, except one provision. He recommends that the decree provide that a maximum rate of 3 cents per mile be made chargeable for State passengers. This would probably be the exercise of the legislative power of making rates, and not a judicial power. See cases cited in Peoria Water Works Co. *v.* Peoria Railway Co., 181 Fed., 990, 1004. In this respect the decree should provide that the district court may, in exercising its function of managing the road in its possession, institute any rate not exceeding 3 cents, as in its judgment may be fair and proper.

A decree should be entered in accordance with this opinion.

_____, _____,

*Judge.*

SEPTEMBER 27, 1912.

That is all I wish to say in regard to the division between freight and passenger. Now, understand that we think the revenue train mileage is the best method up to the present time of any one yardstick that can be used, and also understanding that the Santa Fe method does not altogether follow the revenue train mileage; that is, it follows revenue train mileage where an approximate basis of allocation can not be used. In explanation of that I will say, instead of dividing switching or train mileage we divide it on the basis of the cars handled, because we keep an account of cars handled by switch engines at each terminal.

The CHAIRMAN. Do most of the railroads do that?

Mr. PEABODY. No, sir. Very few railroad systems go into this thing with the completeness with which we do.

The CHAIRMAN. Then how, in your study of railway-mail pay, are we to apply the Atchison system when other roads do not follow it?

Mr. PEABODY. The revenue train mileage comes very very close to the result reached by ours. If we should apply the revenue train mileage to our figures we would not vary 2 per cent from our figures, but we wish to get actual figures so far as we can for our own purpose of operation. We do not make this division for the sake of going into court or anything of that sort.

The CHAIRMAN. It is for your own information and knowledge of what you are doing?

Mr. PEABODY. For the analysis of our business and for the purposes of ascertaining expenses for each particular class of business.

The CHAIRMAN. Granting that you have evolved a satisfactory method of ascertainment between freight and passenger, how are you going to work out an apportionment between mail and passenger?

Mr. PEABODY. That is what I am now going into.

Mr. HURST. Did I understand the members of the Post Office Department to say that they had come to this conclusion after a study of the subject that the Wisconsin method should be used as a basis? Have they taken into consideration, in arriving at this conclusion, all these cases Mr. Peabody has read from?

The CHAIRMAN. Do you know, Mr. Prentiss?

Mr. PRENTISS. No; we could not. This letter was transmitted on the 24th of July, 1911.

Mr. PEABODY. All but one of them were before that?

Mr. PRENTISS. The data was taken in November, 1909.

Mr. HURST. Most of these are prior to 1909?

Mr. PRENTISS. We considered the train mileage. That was considered as a basis and was thrown aside as being inequitable.

Mr. HURST. In spite of the fact that eminent judges had decided they are?

Mr. PRENTISS. In the face of data which can be submitted, showing that in the proportion that expenses between passenger and freight are allocated, the expenses divided to passenger decrease; that is, if you divide on the basis of train mileage, and then begin to apply the allocated expenses to any road, the passenger expenses begin to decrease, showing that the train-mileage basis is not the proper ratio.

Mr. PEABODY. But no road applies revenue train mile basis to anything except those items you can not allocate.

Mr. PRENTISS. I am not referring to a particular road. In the case of the Atchison, Topeka & Santa Fe, if the train mileage is a proper basis, all the expenses of the road divided on a train-mile basis would result in a certain theoretical division. Then begin to allocate and you will find that in every case you will immediately reach a lower passenger cost.

Mr. PEABODY. No one claims anything of that sort. In one of the statements made to the Post Office Department—one which I think was not used in Document 105—the railroads were asked to give their allocation, the allocated items, and their division between passenger and freight. If you are going to use some arbitrary basis, why do you not first use the allocated items which they had set apart and then apply your arbitrary, instead of throwing all that mass of data that was actually furnished from the railways' standpoint, and then apply it to everything?

Mr. PRENTISS. We did not. What I am presenting is simply a theoretical statement of proof that the train-mile basis is an incorrect basis. In the actual division of the expenses we took all the allocated expenses as reported by the railroad company, and in the case of the large systems, such as the Pennsylvania Railroad Co., we not only took the allocated expenses, but we took their own division of expenses for the direct charge accounts, because of the fact that we knew that the company was more capable than the department of dividing those expenses. If the railroad companies had submitted to the department allocations to the best of their knowledge and belief, the department would have had very little trouble in making the division of expenses.

The CHAIRMAN. Mr. Prentiss, what is your official position in the Post Office Department?

Mr. PRENTISS. I am a clerk in the Railway Adjustment Division.

The CHAIRMAN. How long have you been in the Post Office Department?

Mr. PRENTISS. I have been connected with the department for over 20 years?

The CHAIRMAN. Have you had any experience or connection with any of the railroad companies of the country?

Mr. PRENTISS. No.

The CHAIRMAN. What experience have you had in railroad accounting and their methods?

Mr. PRENTISS. I made a special study of railroad accounting when the question came up before the departmental committee for the division of these railroad expenses. I had previously had accounting experience in the department.

The CHAIRMAN. You commenced to make a special study of railroad accounting in 1909?

Mr. PRENTISS. Yes; and previous to that—in the spring of 1908.

The CHAIRMAN. When this matter was initiated?

Mr. PRENTISS. Yes.

The CHAIRMAN. Did you find in your special study of railroad accounting that there was any uniformity among the railroads in their systems?

Mr. PRENTISS. No. I believe there is no basis used by all the railroads.

Mr. PEABODY. I do not think you want that to go into the record. The accounts of every railroad are kept absolutely in accordance with the direction of the Interstate Commerce Commission, going down to every item of the account.

The CHAIRMAN. To the extent of the direction of the Interstate Commerce Commission?

Mr. PEABODY. They say to what account every item of expense shall be charged.

The CHAIRMAN. Then why is not the question solved absolutely under the direction of the Interstate Commerce Commission?

Mr. PEABODY. There is no division between freight and passenger; but his answer would relate to the railway accounting?

Mr. PRENTISS. My experience with reports from the railroad companies has shown that the accounting systems of the railroad companies vary with respect to the accounts. While their accounts may be all combined, as it were, into the Interstate Commerce Commission method, some roads go into greater minutiæ than others. These roads subdivide the accounts of the Interstate Commerce Commission and obtain far more reliable data than other roads.

The CHAIRMAN. Then, as I understand, there is no uniformity as between the railroads themselves as to their own particular method of getting information for their knowledge, but there is uniformity necessarily under the direction of the Interstate Commerce Commission—in furnishing the Interstate Commerce Commission with specific information based upon accounts outlined by the commission itself?

Mr. PRENTISS. Yes.

Mr. PEABODY. I would like to ask one more question, because I still think you have an erroneous impression. I think Dr. Lorenz will bear me out. Is there a single item of expenditure on account of railroading which is not directed by the Interstate Commerce Commission as to the account to which it shall be applied?

Mr. PRENTISS. No; I should not say there was any item of expenditure.

Mr. PEABODY. And is to be applied by all railroads to the same account. Then the Interstate Commerce Commission does permit the roads, if they care to, to make a separate division of any one or more of the 116 primary accounts, a subdivision of that; but that is also stated to the Interstate Commerce Commission, is it not?

Mr. PRENTISS. The subdivision?

Mr. PEABODY. Yes.

Mr. PRENTISS. I think they mention certain subdivisions, but I do not think the roads necessarily follow those subdivisions.

Mr. PEABODY. All roads do not follow the subdivisions. Each road makes special subdivision of any one particular account it pleases, but these are very few, as a matter of fact, and the roads that make that subdivision are also very few, in the main, and I will say as much as 99 per cent of the roads use only the Interstate Commerce Commission classification, do they not?

Mr. PRENTISS. A large percentage of them, I imagine, do.

Mr. PEABODY. So that there is absolute uniformity in the accounting methods of all the railroads?

The CHAIRMAN. You were one of the departmental commission studying this question?

Mr. PRENTISS. I was studying it with the commission, but I am not a member of the commission.

The CHAIRMAN. But you were studying it in connection with the commission. Were any members of the commission gentlemen who had had practical experience in railroad accounting, who were in direct connection with any railroad company, according to your knowledge?

Mr. PRENTISS. Not as far as I know.

The CHAIRMAN. Mr. McBride, how about that?

Mr. MCBRIDE. Not that I know of.

The CHAIRMAN. We will now take a recess for luncheon until 1.30 o'clock.

(Thereupon, at 12.40 o'clock p. m., the committee took a recess until 1.30 o'clock p. m.)

AFTER RECESS.

The hearing was resumed at the expiration of the recess at 1.30 o'clock p. m.

The CHAIRMAN. I understand you completed your presentation of the views of the court bearing on this subject?

Mr. PEABODY. Yes, sir. In that connection I would ask that the commission read with care that last opinion of the Chicago, Peoria & St. Louis case. That is very completely and elaborately discussed by the master who made the report and by the judge who passed upon it, much more so than any other case that has ever been up.

The CHAIRMAN. Granting all that, what benefit in the particular study that the committee have before it would they receive, providing, in your opinion, it is absolutely impossible to apportion your mail costs out of your passenger costs, or to determine the compensation to be given for the mail service rendered by the transportation companies under that method of ascertainment?

Mr. PEABODY. Well, I do not think that that is impossible, Senator.

The CHAIRMAN. Then I misunderstood you. I got the impression this morning from your testimony that it was impossible unless all mail was weighed as it went on and off of a car.

Mr. PEABODY. So far as a division of expenses of each primary account is concerned, it would be impossible; but there is a way of arriving at the proportion properly chargeable to the mail, I think—two ways of arriving at it, either of which would be measurably correct, but that would be after we had completed the division between freight and passenger expenses.

The CHAIRMAN. As I understand, you thought you had evolved a plan by which you had determined the method of correct division between freight and passenger service.

Mr. PEABODY. Yes; approximately.

The CHAIRMAN. Now, you supplement that, adopting that plan there of two methods, by which you can go still further and determine the division as between mail and passenger. What are those methods?

Mr. PEABODY. I am going to show you one right here. Before explaining this statement [1] which I will present I want to emphasize, for fear that I did not make it sufficiently emphatic this morning, that one reason why we place so much dependence on our division as between freight and passenger expense is that every voucher that is made in payment of everything, no matter what it is, for the operating expenses of the road is divided on that voucher as between freight and passenger in accordance with our formula. It is first divided as to the location on the road—whether it is on this division or that division or the other division, and whether it is on the main line or a branch line, and so designated in the voucher. Then the amounts are subdivided as between freight and passenger right on that voucher, and the sum total which we arrive at as the expense of the freight and passenger business are the addition of all the units and not the application of any rule to an aggregate sum.

The CHAIRMAN. That is very interesting. Now, do you figure in the adoption of that plan of segregation in your vouchers that there is any additional expense to the railroads?

Mr. PEABODY. Not sufficient to condemn it.

The CHAIRMAN. It is unappreciable?

Mr. PEABODY. We have done it for 12 years, and we would not do away with it. The expense is more than justified. It is not within my province to criticize accounting officers, but I do think they could extend their accounting methods with considerable advantage to the railroads.

The CHAIRMAN. You mean the accounting officers generally in the transportation business?

Mr. PEABODY. That is what I mean.

[1] For statement referred to see conclusion of Mr. Peabody's testimony, pp. 526–527.

The CHAIRMAN. Let me ask you this in that connection: Do you figure that it is an increased accounting cost, this minuteness of segregation on your vouchers, equivalent to 1, 2, 3, 4, 5, or any definite percentage because of that minuteness?

Mr. PEABODY. I should say that it, perhaps, increased our accounting expenses somewhere from 5 to 10 per cent.

The CHAIRMAN. Over what it would be otherwise?

Mr. PEABODY. Yes.

The CHAIRMAN. And you think the benefits incident to the adoption of the method are infinitely greater than the additional cost?

Mr. PEABODY. It would be worth it if it increased the cost 50 per cent, because we find out what we are doing. We have been able to save money by knowing these costs.

The CHAIRMAN. You know where to apply your ability and energy in the way of minimization of waste and improvement of methods by this method of minute ascertainment?

Mr. PEABODY. That is right.

The Post Office Department called on the Santa Fe Road, in common with all the other roads of the country, to give them the mail-carrying data, space occupied, for the month of November, 1909. The request was made so near the month of November that I did not think we could get the machinery in shape to make a concrete test by the first of November, and not wishing to give any inaccurate figures I deferred the making of that test until the month of January, 1910. I could have gotten ready for December, but I did not think the month of December would be fair on account of the Christmas season, when there would be a larger proportion of mail than ordinarily.

The CHAIRMAN. Fair to which interest, the Government or the railroad?

Mr. PEABODY. It would not be correct.

The CHAIRMAN. You said "fair." Fair to whom?

Mr. PEABODY. Fair to either.

The CHAIRMAN. On the theory that it would be incorrect information to both parties?

Mr. PEABODY. Absolutely to both parties. We wanted to know the facts, so I took that test during the month of January. We found that it required a good deal of correspondence with the conductors and the others to whom was committed the work of doing it; and, by the way, that test on our line consisted of the absolute measurement of the space in every car on every train during that entire month. I had a special report made by the conductor and baggageman of every train, which report came to my office.

The CHAIRMAN. You made no test for November?

Mr. PEABODY. No, sir.

The CHAIRMAN. You did not furnish the Post Office Department with the information in reply to that request for information for that month?

Mr. PEABODY. For November; no. But we gave them the information for January, and that is what they have used in their report, the January figures.

The CHAIRMAN. You think that January and November are typical average months?

Mr. PEABODY. Well, hardly so; and for that reason, and also for the reason that a single month is hardly fair to either party, and also

for the additional reason that our conductors, having had one month's experience in doing that work, could do it a second time more correctly, I selected the months of September and October, 1911, for another test, and took a similar test for those months in which I had a special report made by every conductor on every train for those two months, figuring that this would be a fair average of the year.

The CHAIRMAN. In what year was your January test made?

Mr. PEABODY. 1910.

The CHAIRMAN. So that you really have tests, then, for three months—January, 1910, and the months of September and October, 1911?

Mr. PEABODY. Yes, sir. The space used by mail, as was demonstrated in those two months, was almost exactly double that used by mail in the month of January. The space used by the other portions of the passenger service, the passenger and express, were larger, so that the percentage of the mail space for those two months is less than the proportion of the mail space as shown in the January test. The express was larger and the passenger business was larger. We also had an increase in pay after the January test, so that our pay for the months of September and October was larger for the same amount of service than it was in January.

The CHAIRMAN. An increase of pay in the handling of the mail?

Mr. PEABODY. An increase in pay in the handling of the mail.

The CHAIRMAN. How did you obtain that?

Mr. LINDSAY. By the reweighing of 1911 east of the Missouri River or between Kansas City and Chicago, the mileage resulted in increases in our compensation.

The CHAIRMAN. Due to the increased weight shown by the reweighing?

Mr. LINDSAY. Yes.

Mr. PEABODY. Although it did not occupy any more space, relatively, as shown by the test.

The CHAIRMAN. How do you show that by the test?

Mr. PEABODY. We took the actual measurement of the car-foot miles in January, 1910, which was 55,480,640, whereas for September and October, 1911, it was 110,125,645, almost double.

The CHAIRMAN. Almost double, but one for 30 days and the other for 60 days.

Mr. PEABODY. Yes. That is a check on the mail space showing it is correct as taken. The passenger space for those two months was 1,209,901,808, or 80.37 of the total. The mail space was 110,125,645, or 7.32 of the whole.

The CHAIRMAN. Is that 7.32 of the total?

Mr. PEABODY. Total space on the train—car-foot miles on the train.

The CHAIRMAN. But on the passenger trains?

Mr. PEABODY. On the passenger trains; yes, sir.

The CHAIRMAN. And your 100 per cent simply takes what we term the general passenger service, including mail and express, as well as passenger and milk?

Mr. PEABODY. Yes.

The CHAIRMAN. So that you figure your mail on your apportionment of operating expense as 7.32 per cent of the total passenger revenue?

Mr. PEABODY. No; not revenue. That is car-foot space, the express occupying 185,382,251, or 12.31 per cent. Our total car-foot space of the passenger trains for those two months was 1,505,409,704. That divided, as already stated, by passengers 80.37 per cent, mail 7.32 per cent, and express 12.31 per cent.

The CHAIRMAN. Is it your opinion that the expense is equal or different in the handling of the segregations of your general passenger service, namely, mail, express, and passenger proper?

Mr. PEABODY. In this statement I have charged the proportion of the total passenger expense to mail that the percentage of mail car-foot miles bears to the total car-foot miles.

The CHAIRMAN. That is, you have taken the total passenger-train operating expense?

Mr. PEABODY. Which amounts to $4,394,347.26.

The CHAIRMAN. And applying your 7.32 per cent, as arrived at in the upper column, you make that $321,666.22?

Mr. PEABODY. That is correct as the proper amount of expense attaching to the mail for those two months, of course understanding that that $4,394,347.26 of the total passenger-train operating expense was arrived at on the basis already outlined this morning.

The CHAIRMAN. On what we term the Atchison system?

Mr. PEABODY. On the Atchison system.

The CHAIRMAN. What was your total mail revenue from the Government during the year ending June 30, 1912?

Mr. LINDSAY. In round figures, about two and one-quarter million dollars; that is, for the fiscal year—for 12 months.

The CHAIRMAN. The revenue of the Atchison system received from the Government was what for the fiscal year 1911?

Mr. LINDSAY. In round numbers, about $2,250,000.

The CHAIRMAN. That includes the railway mail pay and R. P. O. pay?

Mr. LINDSAY. Yes, sir; the whole of it.

The CHAIRMAN. Now, Mr. Peabody, assuming that the months of September and October are typical months, or represent the two months collectively a fair average of the year's expenses, you would have $1,929,996 for the actual charge against the mail for passenger-train operating expenses which would leave an apparent profit of $220,000 that the Atchison Company made over and above the actual cost of hauling the mail on this compensation?

Mr. PEABODY. I do not follow your figures, Senator. I have it all figured out here below.

The CHAIRMAN. You say that for the months of September and October, 1911, that it cost the Atchison system, according to your method of computation, as herewith presented, $321,666.22.

Mr. PEABODY. That is right.

The CHAIRMAN. Multiplying that by six it would give you the apparent cost of carrying the mail for that year, on the assumption that those two months were a fair average for the balance of the year?

Mr. PEABODY. Yes; but that is hardly correct, because the mail expenses for those two months are less than the average, and that is one reason for selecting it. I wanted to make it just as conservative for the department as possible. Our expenses during the winter months are much larger than during the summer months, and that $321,666.22 does not represent the operating expenses for the year. I can give

you the operating expenses for the year. I have those here in the annual report.

The CHAIRMAN. Let us carry this out a little further. If your figures for the months of September and October were typical balances of the year and fairly representative of the average, your expenses for the year would then be $1,929,996, and your revenue would be $2,250,000, and your apparent earnings would be $220,000 plus.

Mr. PEABODY. On that assumption; yes.

The CHAIRMAN. Now, what criticism have you to make of that assumption?

Mr. PEABODY. The amount of the expenses are not typical of the entire year. The summer expenses are always less than the winter expenses, and we have used in all the summary of the expenses the actual expenses for those particular months and not the average expenses for the entire year for two months.

The CHAIRMAN. September and October are not generally conceded to be summer months, are they?

Mr. PEABODY. They are not expensive operating months, anywhere nearly as much so as the winter months.

The CHAIRMAN. Have you with you your passenger operating expenses for the whole of the year?

Mr. PEABODY. No; but I will send it to you if you would like to have it.

The CHAIRMAN. No; but I would like your criticism or explanation or concurrence or comment on my statement that under the table presented this deduction is a fair one, that you had an apparent earning there of $220,000 for that year over and above the actual cost of hauling the mail.

Mr. PEABODY. On the figures presented that would be a fair assumption.

The CHAIRMAN. Why is it unfair to criticize the figures presented?

Mr. PEABODY. Simply because those expenses are not fair for the year. As I have stated, the expenses in September and October are below the average for the year, and that is not one-sixth of the total expenses attaching to the passenger business for the year.

The CHAIRMAN. The table presented by you here, in which you make your apportionment of the operating expenses in the passenger service and allow 7.32 per cent for mail, takes into consideration the R. P. O. as well as the weight, the railway mail pay.

Mr. PEABODY. It takes the total we received as earnings for those particular two months, which amounted to $377,864.26.

The CHAIRMAN. The relative percentage of mail to the passenger service as a whole would not change according to the method. That is typical for the months of September and October.

Mr. PEABODY. The space would not change; no.

The CHAIRMAN. That percentage would remain fixed the year through, 7.32.

Mr. PEABODY. It could not be exactly, that per cent being varied by the addition or lessening of the express or mail.

The CHAIRMAN. Do they not go hand in hand?

Mr. PEABODY. Pretty nearly. The percentage in the month of January was 7.47, and in the months of September and October, 7.32, pretty nearly the same; but there was a little variation, and because this was the smaller of the mail, and also the smaller expense, I made

up my figures on that basis so as to make just as favorable a showing for the post office as was possible.

The CHAIRMAN. In your ascertainment of operating expenses do you allow anything for interest on capital invested in any way?

Mr. PEABODY. Oh, no, sir. In these figures you have quoted there there is also nothing for taxes, rental, or hire of equipment. Those are not called operating expenses.

The CHAIRMAN. Taxes are not included?

Mr. PEABODY. No, sir; nor hire of equipment, nor rental.

The CHAIRMAN. If these two months of September and October are typical average months, you would have, under this statement presented, $220,000 of revenue received from the Government over and above what you paid out in actual operation to earn that revenue, with no allowance whatever for taxes, no allowance for cost of terminals, and no allowance for equipment. Is that right.

Mr. PEABODY. That is right.

The CHAIRMAN. Have you any idea, or could you work down now, under the figures given, what, in your opinion, a fair statement would be as to the amount you received over and above what you actually paid out under your apportionment here of operating expenses for passenger trains? How much will you reduce that $220,000? Would it be entirely wiped out?

Mr. PEABODY. There is a balance over operating expenses when we get through without taking any account of taxes, rentals, etc., of $56,000; but charging the proportion of taxes, rentals, hire of equipment, and also that proportion of the interest which we paid out on our bonds, not allowing any dividends or anything of that sort, it would show a deficit for those two months of $6,051.88. As I go through this statement I will explain the method by which this is all arrived at. The total passenger train operating expenses constitute 36 per cent of our total operating expenses—that is to say, the $4,000,000 which is charged here as the train operating expenses constitute 36 per cent of our total operating expenses. The apportionment of taxes, interest, and rentals, and the hire of equipment is made on the revenue basis, consequently it is necessary to know the revenue we received. Our freight revenue that year amounted to $13,191,317.90, or 69.80 per cent of the total revenue.

The CHAIRMAN. That is, for the two months of September and October, 1911?

Mr. PEABODY. For those two months. The passenger revenue amounted to $4,722,656.95, or 24.99 per cent of the total revenue. The mail was $377,864.26, or 2 per cent of the total revenue. The express revenue was $608,263.98, or 3.21 per cent of the total revenue. Taxes, interest, rentals, and hire of equipment that we paid that year amounted to $3,112,495.90, and, divided on the proportions of revenue which I have just indicated, would charge to the mail service 2 per cent, or $62,249.92.

Recapitulating all of these figures, we have for the operating revenue for freight $13,191,317.90, for passenger $4,722.656.95, for mail $377,864.26, for express $608,263.98, or a total of $18,900,103.09. The operating expenses chargeable to freight for those same two months, determined on our regular formula, amounted to $7,791,471.10, and to passenger, divided on the proportion of the car-foot miles, as shown at the head of the statement, amount to $3,531,736.89; to mail, on the

car-foot mile basis, $321,666.22; express, $540,944.15, making a total of the operating expenses of $12,185,818.36. It is interesting to note the ratio of the net operating expenses to the operating revenue. The ratio of the expenses on freight is 59.06; on passenger, 74.78; on mail, 85.13; and on express, 88.93, or a total ratio of 64.47 per cent.

The CHAIRMAN. That ratio is determined on the actual revenues, based on your expenses as applied under the Atchison system?

Mr. PEABODY. As applied under the Atchison system; yes. The total ratio of the passenger operation, including passengers, mail, and express, is 77 per cent. The taxes for those two months were $751,957.91. The rentals were $18,215.93. The hire of equipment $101,135.91, or a total for those three accounts of $871,309.75. The interest for the two months which we paid on our bonds amounted to $2,241,186.15, making a total charge for taxes, rentals, hire of equipment, and interest of $3,112,495.90.

The CHAIRMAN. That changes very materially the figures that you have in the statement which we have before us.

Mr. PEABODY. No; they are additional figures. I will now explain how the amount is the same. Apportioning the taxes, interest, etc., to freight, passenger, mail, and express, as shown in the statement, we have a net income on the freight of $3,227,324.66; a net income on the passenger of $413,107.34; a deficit on the mail of $6,051.88; and a deficit on the express for the two months of $32,591.29, or a total surplus, net income of $3,601,788.83.

The CHAIRMAN. Under your recapitulation table, will you explain "Taxes, interest, etc." As I understand, your interest is simply the interest on your bonds.

Mr. PEABODY. That is right.

The CHAIRMAN. And not dividends at all.

Mr. PEABODY. No dividends at all.

The CHAIRMAN. What is the "and so forth"?

Mr. PEABODY. Taxes represent 7.51 per cent.

The CHAIRMAN. I mean, what does the "and so forth" mean?

Mr. PEABODY. Rental and hire of equipment are the other two. The Interstate Commerce Commission will not permit us to put this into operating expenses. They require us to keep a separate account of that and deduct it from the net operating revenue. They state what items shall constitute operating expenses. Those items are to be deducted from operating revenue and then these other items of taxes, rentals, and hire of equipment are put under another account and deducted from the net operating revenue and called net operating income. Therefore, we keep our accounts by their direction that way. The taxes, rentals, and hire of equipment are treated as separate items. Of that $3,112,495.90, which includes the interest paid on the bonds for those two months, $871,309.75 are taxes, rental, and hire of equipment, which is really an operating expense, and we are not allowed to state them separately.

The CHAIRMAN. Would you kindly explain the reason for the difference in taking net apportionment of operating expenses on car foot-mile basis, that the mail is 7.32 per cent of the total operating expenses charged to the whole passenger service, and in your apportionment of taxes, interest, rentals, and hire of equipment on the revenue basis you only take a 2 per cent chareg as aganist the mail revenue?

Mr. PEABODY. The item of operating expense as designated by the Interstate Commerce Commission are first divided between passenger and freight on the basis of our formula for division of expenses. Of the amount thus ascertained and chargeable to passenger we have charged against mail 7.32 per cent, that being the car-foot mile proportion of all of the expenses embraced in the passenger operating charges. Besides the operating charges or expenses there are other items of taxes, rentals, and hire of equipment, and also amounts paid out for interest on bonds. In all of the cases with which I am familiar the courts have uniformly held that payments of this character should be divided on the basis of the gross revenue instead of being apportioned on any formula to expenses, or other division, and in conformity with that rule I have divided those items on the proportion that the mail revenue bears to total revenue received in the operation of the road.

The CHAIRMAN. Which in the Atchison case is 2 per cent.

Mr. PEABODY. In the Atchison is 2 per cent.

Mr. LORENZ. I would like to ask whether the purpose of this apportionment is not to test the adequacy or inadequacy of existing revenues.

Mr. PEABODY. That, to my mind, is the absurdity of the proposition; but I do not like to take the attitude of calling anything a court does absurd.

Mr. LORENZ. I think the courts have sometimes taken bases because they simply did not know what else to do, because there was nothing else at hand.

The CHAIRMAN. Do you think infallibility necessarily goes with the ermine?

Mr. PEABODY. No; not necessarily. But, as Dr. Lorenz says, there is self-contradiction in that application. Here a complaint is made that a rate is too low. We ascertain that the rate is too low, and one item to prove that it is too low we base upon the rate itself.

Mr. LORENZ. As a matter of fact, the courts have not universally so held. There is a recent case in which this basis is condemned as illogical and absurd. It is a Federal case, but I can not recall the name of it at this time.

The CHAIRMAN. Please look it up and give the information to us later, and I will have it put in the record.[1] What, according to your idea, would be the proper method of arriving at a percentage there, and what, in the adoption of such a method, would you have instead of the 2 per cent which is the debit under the dictum of the court?

Mr. PEABODY. I should charge the same basis that I charged in dividing the other expenses.

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[1] The following statement was later furnished by Mr. Lorenz:

"The case to which I referred in discussing with Mr. Peabody the gross-earnings basis for dividing expenses is Chicago & North Western Railway Co. *v.* Smith et al., before the United States Circuit Court, District of South Dakota, southern division. I had reference to the report of the special master appointed by the court. The opinion of the court itself has not as yet been rendered, I believe. The master says, on page 81:

"'It seems to the master that these results conclusively prohibit the use of gross earnings as a factor in cases of this kind. The $10,000,000 example shown by Mr. Justice Brewer in the Tompkins case (176 U. S., 167) clearly indicated the same absurd results, and the master therefore feels justified in following Mr. Justice Brewer in the Tompkins case and in declining to follow the Love case and the Minnesota rate case and the other cases on this subject.

"'In regard to the remark of Judge Sanborn in the Minnesota rate case, heretofore quoted, "Cases may, indeed, be imagined in which this basis does not produce persuasive results," the master is of the opinion that no case can be imagined where such absurd results would not appear unless the freight earnings and passenger earnings were reduced or raised in exactly the same proportion.'"

The CHAIRMAN. In other words, instead of the 2 per cent which you take under the dictum of the court, you would take the 7.32 per cent?

Mr. PEABODY. Let me correct that. I would first divide as between passenger and freight on the revenue basis, for I know of no other basis by which you could arrive at a fair division, but having arrived at a division of those expenses between passenger and freight on the revenue basis, I would then subdivide on the proportion of the service performed.

Mr. LORENZ. Do you think that it is fair to divide the interest on the rails and ties, etc., in proportion to the revenue from the freight and passenger, as you have just said, when you do not divide the maintenance of those rails on the basis of the revenue?

Mr. PEABODY. The reason for it is this: Taxes and hire of equipment and rentals are items that are paid out of general revenue. You put your hand in the treasury and pull out a certain amount of money, and I think that amount of money should be charged in the proportion that the two distinctive services contribute to that fund. That is my only reason. Whether that is the best one or not I do not know, but it is the only one that I can find that is at all satisfactory to my mind.

Mr. LORENZ. It seems to me it is utterly contradictory to what you admitted a few moments ago regarding the absurdity of using existing bases for dividing the properties on the total cost.

Mr. PEABODY. I would like to have some one suggest a better one.

Mr. LORENZ. The only way in which it seems to me to proceed with the interest charges, if you are trying to find the total cost, is upon some ratio derived from consideration of cost. Now, then, the investment of the rails and equipment and property is for the purpose of performing these various services. The interest on that investment ought to bear some relation to the use made of the common facilities, and it seems to me that the basis you use, whatever it may be, for dividing the maintenance of way and equipment between passenger and freight is also the proper basis for dividing the interest charges between freight and passenger.

Mr. PEABODY. Then you would determine the per cent that each item of the 116 accounts bore to the total charge, the interest proportionately to that account, and then subdivide that amount by the formula that you use for dividing between freight and passenger?

Mr. LORENZ. No, sir. I would find the relation between the maintenance of the freight cost to the maintenance of the passenger cost and use that ratio in dividing the interest between freight and passenger. That is merely a suggestion.

Mr. PEABODY. In other words, you put it on the expense basis instead of the earning basis.

Mr. LORENZ. Exactly.

Mr. PEABODY. You base it on expenses instead of earnings.

Mr. LORENZ. Yes.

The CHAIRMAN. What do you think of that?

Mr. PEABODY. Well, I do not know but what it is just as good.

Mr. LORENZ. As a matter of fact, it would subserve your purpose better, I think, because it would charge a larger proportion to passenger service.

Mr. PEABODY. We have not any purpose in this. The Santa Fe road is trying to get at facts. I have not any preconceived opinion, but I am trying to bring out in all of our accounting the facts. We absolutely adhere to that. We do not care where it lands us, but we want the facts, and we use exactly the same basis, whether passenger or freight, regardless of whether it meets the case or not. I have gone into cases and shown where it was absolutely a sure loss to us to do it.

Mr. LORENZ. I should have said "interest" rather than "purpose."

Mr. PEABODY. I do not take that offensively, of course, but I wanted to explain what we are after. If we can find out the facts in the case, and in carrying out that idea of Dr. Lorenz and in support of his statement that the suggested basis would be charged more to the passenger than the basis we have used, I would say that on the basis of the expenses as ascertained and suggested by him it would have charged to passenger $1,120,498.20. We actually did charge on the basis used here $939,973.76. We charged $180,524.84 less on the basis we used than we would have charged if we had used the basis suggested by Dr. Lorenz.

Right here I would like to say this in explanation of a remark I made in regard to what the Santa Fe is trying to do. When this matter first came up as to the using of the analyses of cost in connection with our rate cases, which was, I think, in 1903, up to that time, perhaps, as you are aware, it had been the general impression, which had perhaps considerable for foundation, that railroads loathe to give information to the authorities as to what they were doing, particularly the regulating authorities, and in a case that we had I showed where it would be of advantage to use some figures that we had in our analyses.

The CHAIRMAN. Of advantage to whom?

Mr. PEABODY. Advantage to us. It would help to win the case, I will say. I submitted the proposition to our president, in connection with our attorneys, and showed where that would be the result if we used those figures. At the same time I called their attention to the fact that if we used them in one case we would be obliged to use them in others, and there would be cases just the other way where it would be to our disadvantage, and I wanted to know what to do, being called as a witness in the case. Our president said: "The time has come when the regulating bodies are entitled to know what we are doing. We will play all of our cards on top of the table." Since then we have had all of our figures open to everybody. That is why I am bringing this here now.

The CHAIRMAN. You show a greater loss in handling the express business here, under your statement presented for the two months indicated, than you do in handling the mail.

Mr. PEABODY. Yes, sir.

The CHAIRMAN. How do you account for that, and what contract has the Atchison system with the express company?

Mr. PEABODY. The Atchison system has a contract with the Wells, Fargo Express Co., by which it receives 55 per cent of the total receipts.

The CHAIRMAN. That is, the Atchison receives 55 per cent of the total revenue of the Wells, Fargo business transacted over the Atchison system?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. And yet the loss, under this statement, is greater in the handling of the express than in the handling of the mail?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. Because the volume of business is greater for one factor, I assume?

Mr. PEABODY. Yes; or our operating revenue is not quite double, $608,000 for the two months as against $377,000 for the mail. And the expenses are charged on the same basis for car-foot miles.

The CHAIRMAN. The earnings per car foot-mile under the passenger, mail, express, and total are percentages, are they, or are they mills per car foot-mile?

Mr. PEABODY. Those are mills, earning per car foot-mile in mills.

The CHAIRMAN. Then, under your contract with the express company, the more business you have the greater your loss?

Mr. PEABODY. Oh, no. I do not mean that we are better off without the mail or better off without the express by a great deal.

The CHAIRMAN. Without any elucidation of your statement that would be the natural inference.

Mr. PEABODY. That merely means that these services do not pay their proper proportion of the expenses by so much.

The CHAIRMAN. When you take into consideration taxes, interest, and so forth, as explained heretofore in your testimony?

Mr. PEABODY. Yes, sir. They do not pay their relative proportion. I want to say further in connection with this, leaving out that item of interest, the mail net operating revenue, amounts, as shown in the statement, to $56,198.04. The taxes, hire of equipment, and rental alone, not taking interest into account, is $17,422.20, leaving a net operating income of $38,771.84. We have to apportion that to the interest and the value of the property. The value of the property used for the year was $603,390,485. That is the total value of the Santa Fe property.

The CHAIRMAN. The total value; how ascertained?

Mr. PEABODY. Our actual cost. The cost as shown in our accounts.

The CHAIRMAN. Is it the sum of the bonds and stocks at par value?

Mr. PEABODY. No, sir. It is the cost of railroad franchises and other property, including stocks and bonds which we have bought of other properties to control. For instance, we own all of the stocks and bonds of the Gulf, Colorado & Santa Fe road.

The CHAIRMAN. That is, including the stocks and bonds at their par value or the purchase price that you paid for them; which?

Mr. PEABODY. That includes the purchase price we paid for these stocks and bonds that were bought. That also includes the expenditures for additions, betterments, construction, and things of that sort. In other words, it is the cost of the road as it appears in our statement sent to the Interstate Commerce Commission, not the stocks and bonds as appear on the other side of the balance sheet.

The CHAIRMAN. Your cost, taking the original purchase price and adding from the date of purchase down to date, interest at 6 per cent?

Mr. PEABODY. No, sir.

The CHAIRMAN. Just the original cost without interest?

Mr. PEABODY. The original cost without interest, including additions or betterments since date of purchase.

Mr. LORENZ. How does that compare with the total stocks and bonds at par value?

Mr. PEABODY. Two million and one-half, in round numbers.

The CHAIRMAN. That is very interesting; on over a $600,000,000 computation?

Mr. PEABODY. The proportion of that allotted to mail is $12,067,809.

The CHAIRMAN. On the basis of 2 per cent?

Mr. PEABODY. On the basis of 2 per cent.

The CHAIRMAN. You take 2 per cent of the total cost and charge that to mail, and that amounts to $12,000,000 plus?

Mr. PEABODY. That is the basis used, I guess, uniformly in the courts' decisions. The return on that for 60 days at 6 per cent would be $120,678.09. At 7 per cent it would be $140,791.11, against which we have a margin of $38,771.84 to apply.

Mr. LORENZ. This hire of equipment which you charge to the mail service, does that contain any mail cars?

Mr. PEABODY. Any mail cars? Well, I can not answer that offhand now.

Mr. LORENZ. Isn't that mostly freight cars interchanged?

Mr. PEABODY. There are no freight cars interchangeable in this hire of equipment. We would not use the freight-car hire as equipment here. We can determine that very easily.

The CHAIRMAN. You say in your contract with the express company you receive 55 per cent of the gross receipts of the express company for all business handled over your line?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. Is there any railroad that receives a greater percentage than that that you know of?

Mr. PEABODY. There is one that receives a greater percentage. I do not recall just now which one it is. As you may know, we have lately had an express case before the Interstate Commerce Commission, and I was one of a committee to work up the data for submission for all the express companies of the United States, and in doing that I remember that there was one road that had a larger percentage than 55; but I can state right now, and I am perfectly willing to state, although it might not satisfy some of our express friends, that when our contract is renewed I believe we will get a good deal more than 55 per cent or it will not be renewed.

The CHAIRMAN. That is the Atchison contract with the express company, the Wells, Fargo Co.?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. In other words, you do not feel that 55 per cent of their revenue gross is a fair compensation to the Atchison for the service rendered?

Mr. PEABODY. No, sir. When we made that contract we did not have the information that we are now possessed of. That is one of the advantages of this analysis we are talking of, but we got the contract under the best circumstances we could at the time. I think the Wells, Fargo Co. will admit they did not know any more about it that we did, and we traded and got the best contract we could; but they are perfectly willing to admit now that a lump sum of 55 per cent on the business that embraces haul varying from 25 miles to 2,500 miles is not equitable.

We get 55 per cent of the rate for 25 miles and we get 55 per cent of the rate for 2,500 miles. The service in both cases performed by the express companies is the same, the delivery service at each end, and we perform all the extra service and get no more money for it. That was a jumped-at average.

The CHAIRMAN. Your statement shows you are receiving per car-foot mile fifteen one-hundredths of a mill more for mail than you are for express?

Mr. PEABODY. That is right.

The CHAIRMAN. And yet the statement submitted by Mr. Peters, as chairman of the railway mail pay committee, which committee represents 214,000 out of the 250,000 miles of railway in the United States, and in which calculation I presume the Atchison system is included, shows that the railroads on an average per car-foot mile receive from express 3.86 mills, while they only receive 3.23 mills from the mails. I know of no railroad that receives a higher percentage of the gross receipts of the express company than 55 per cent—that is, I did not know of any until the statement you have just made, that in your opinion there was one road that received a higher percentage. I have understood that the percentage received from the railroads from the express companies varied from 40 to 55 per cent?

Mr. PEABODY. That is right, although that road that receives 40 is a mere question of bookkeeping. That is the Great Northern, and inasmuch as they own both the express company and the railroad company it does not make much difference what they credit to the express business.

The CHAIRMAN. You say they own both the express company and the railroad?

Mr. PEABODY. And operate them.

The CHAIRMAN. There are no stockholders in the Great Northern Express Co. other than the railroad itself?

Mr. PEABODY. I think not. The explanation of the account you just referred to is this: The railroads, as a whole, in the United States have a comparatively short express route.

The CHAIRMAN. That is, the average haul on express—about 200 miles?

Mr. PEABODY. The average haul being about 200 miles, whereas our average is very much larger than that. We have a heavy California business and naturally it brings up the average, but I think somewhere over a thousand miles, Kansas City being a large point, with 488.

The CHAIRMAN. And the express company probably gives low rates on fruit and things of that kind?

Mr. PEABODY. Yes. They give a comparatively low rate on fruit, because they compete against us on the fruit. We have a rate of $1 per 100 pounds on the citrus fruit over the United States, and they can not charge but very little more.

The CHAIRMAN. Do you deliver?

Mr. PEABODY. No.

The CHAIRMAN. Do they?

Mr. PEABODY. They do. But they are obliged to charge at least one and one-half times as much as we do. But with the long haul as against the short haul it reduces the rate per car-foot mile very

rapidly, and with us that is probably the reason why the rate per car-foot mile on express is more costly than the mail.

The CHAIRMAN. It is often stated that the railroads give far more favorable terms to the express companies than they do to the Government in the transportation of the mails—or possibly I had better put the statement this way: That the Government pays more for mail transportation than the railroads receive, relatively, for express transportation. What would you say in reference to that?

Mr. PEABODY. I should say that as a general proposition that is so. It does not happen to be so with our line, but as a general proposition I should say that that was so. I guess I misunderstood you. I think I have turned your question around. So, I think that the express pays more, as a rule, to the railroads than the mail; that is, I think they get more out of the express business than they do out of the mail. That is what I meant to say.

The CHAIRMAN. Is there any distinction in your mind as between the services rendered? In other words, should the railroads receive the same compensation for the handling of the mail that they do for the handling of express?

Mr. PEABODY. I have not given that subject much thought, and I should dislike to express an opinion.

The CHAIRMAN. I would not ask you if you have given no thought to it. Have you any in reference to the distinction between passenger service generally and mail, as to whether the compensation should be the same or whether there should be a difference; and if so, which should receive the greater compensation, the passenger service or the mail?

Mr. PEABODY. I do not see how you can compare those two, the services are so entirely different. The mail you have to handle, and the passengers handle themselves. Still you supply some things for passengers that you do not for the mail.

The CHAIRMAN. Then, how are you going to arrive at any basis of fair computation to pay the transportation companies for the handling of the mail?

Mr. PEABODY. As I suggested this morning as a layman, without having studied the matter, it did occur to me only a day or two ago that if they would weigh on and off every bit of mail that goes on and off the train and charge accordingly and get so much per hundred pounds for handling it that would be a fair way.

The CHAIRMAN. How are you going to determine what they are going to get per hundred pounds?

Mr. PEABODY. That is a matter of determination. A rate based on cost is an absurdity.

The CHAIRMAN. Yet is not the trend of opinion rather toward the direction of scientific cost as nearly as possible?

Mr. PEABODY. To base rates on cost would stop the freight transportation throughout the country. You could carry high-class goods at an average cost, but you could not carry the low-cost goods at an average cost.

The CHAIRMAN. You have but the one classification in mail transportation.

Mr. PEABODY. Possibly you could come nearer basing it on cost there than you could on quantities. Still, as I understand it, you

have the classification in mail. You have the parcel post, which is a less rate than you have on letters.

The CHAIRMAN. Not in the compensation that the railroads receive, but in the compensation that the Government receives. We will have four classifications under the governmental charge to the public, but none under the governmental payment to the transportation companies.

Mr. PEABODY. That may be so.

Mr. LORENZ. If, as you say, you can not compare the mail and passenger service on the basis of the car-foot miles because they are so different, how do you justify your comparison?

Mr. PEABODY. I do not say you could not compare it on a basis of car-foot miles. We have compared it on the basis of car-foot miles.

Mr. LORENZ. That was the purport of the Senator's question. He wanted to know whether the mail revenue ought to be based on that earned per car-foot mile in the passenger service.

Mr. PEABODY. If that is so, we have applied it on the basis of the car-foot mile.

Mr. LORENZ. So you could compare revenues as well as cost?

Mr. PEABODY. Yes.

Mr. LORENZ. Following up that question, I think the Senator would have been interested to know whether, in your opinion, there is enough difference in the mail service compared to passenger service so that revenue ought to be different.

Mr. PEABODY. That is where I said they were so different I could not compare them.

Mr. LORENZ. Is not the only difference with respect to the items of expense that attach to one as compared to the other?

Mr. PEABODY. Yes; but they are so very different it would be pretty hard to make a comparison.

Mr. LORENZ. Do you think your comparison of expense is accurate when the services are so different, and when you are simply dividing on the basis of car-foot miles?

Mr. PEABODY. Simply because the passenger train is the unit of the total expense, and that is a different proposition. When you attempt to make up those expenses by taking the expense attached to one and attaching to another, you would fall into difficulty.

Mr. LORENZ. It seems to me you are inconsistent in making a cost and revenue comparison between mail and passenger services and then saying that a rate based on cost is an absurdity.

Mr. PEABODY. I am willing to compare the revenues on the car-foot mile basis.

Mr. LORENZ. The impression given is that one service is profitable and the other is not.

Mr. PEABODY. We have shown the car-foot miles on the statements for the purpose of comparison, but we could not say whether that is too much or too little, in view of the expenses attached to each particular one.

Mr. LORENZ. If you can not say whether it is too high or too low, what is the purpose of this cost calculation?

Mr. PEABODY. The purpose of the calculation is, first, to ascertain the expense chargeable to passenger; then, as a fair unit of division, between the service performed by the passenger train, which is the

only complete unit in the passenger service, the car-foot mile is, to my mind, the correct basis, and applying that car-foot mile to the passenger expenses gives the proper proportion to be charged against each of the services.

Mr. LORENZ. So we arrive at a cost per car-foot mile, as compared with revenue per car-foot mile, to see if the revenue is too high or too low or just right. Is that the proper procedure?

Mr. PEABODY. No; I do not know whether I could say whether it is too high or too low.

Mr. LORENZ. If you can not say whether the mail compensation on the Atchison is right, then all these computations are really wasted?

Mr. PEABODY. The entire passenger service does not pay its proper proportion to the business. One may pay a little more, relatively, than the other, but the entire service does not pay its proper proportion of the expenses and charges.

The CHAIRMAN. Why did you not charge more?

Mr. PEABODY. We wish we could, but they will not allow us.

The CHAIRMAN. Who will not allow you? You mean the State commissions?

Mr. PEABODY. The State commissions.

The CHAIRMAN. Have you ever taken the matter up with the Interstate Commerce Commission?

Mr. PEABODY. It will not do any good. The State commissions control that.

The CHAIRMAN. Do they control the interstate passengers?

Mr. PEABODY. Absolutely. You can not charge more for interstate passengers than the sum of the two locals. A man can get off at the State line and buy a new ticket into the State.

The CHAIRMAN. Have you ever taken the question up with the Interstate Commerce Commission?

Mr. PEABODY. I do not now recall a single passenger case. We have the question up before the Supreme Court, where we show that the State made passenger rates absolutely control the interstate rates; and that would be one of the points in the rate cases that will be decided in the decision we are waiting for, if they will decide it.

Mr. BRADLEY. Mr. Peabody, the Post Office Department, in Table 7, Document 105, shows that the Atchison road has an earning of 4.46 mills per car-foot mile, and your statement shows an earning of 3.43 mills. I would like to inquire how that discrepancy is accounted for?

Mr. PEABODY. This statement in Document 105 relates to the January figures. My statement is for the months of September and October, 1911.

Mr. BRADLEY. It occurred to me that the disparity might be accounted for by your taking the car space actually employed in the mail service, and the department's finding was probably arrived at from a reduced mail space figure. Is that it?

Mr. PEABODY. The department car-foot miles are 35,762,263.37. The Sante Fe actual car-foot mile for same period were 55,484,640, or about 20,000,000 less than the actual. That amount was taken out of the mail car-foot space and largely added to the passenger car-foot space, thus increasing the passenger percentage and reducing the mail percentage, which the department themselves admit to be wrong.

The CHAIRMAN. Is that corrected in Document 105?

Mr. PEABODY. No, sir; that is not corrected.

The CHAIRMAN. That is a subsequent realization on the part of the department that they had made a mistake in making a double debit instead of a debit, if to be made at all, to apply to both services.

Mr. PEABODY. They did correct one route. One, the route from Chicago to Kansas City, they first published a total mail space of 5,800,760; they corrected that to 6,309,509, but originally published as the passenger car-foot space 43,690,000, and in the corrected figures they raised that to 78,886,000.

The CHAIRMAN. In that connection, Mr. McBride, in order to get it into the record, as I understand, the department realizes that that mistake was made if the debit was applied in the dead space and no allowance made in mail revenue in charging that to the other passenger service. In other words, that if disallowed in mail it should be rejected in the balance of the passenger service?

Mr. MCBRIDE. I do not think the department has as yet granted that conclusion. It has been granted that some mistakes were made in the classification of car-foot-mile space, but I do not think it has as yet granted the conclusion mentioned.

The CHAIRMAN. I would like to ask you personally your own point in reference to that. Is it not manifestly unfair to refuse to make an allowance in one case and then take and charge that in the other case? Shouldn't it, if eliminated in the calculations, be eliminated from both cases in order to secure a fair relativeness as between the two services?

Mr. MCBRIDE. Well, I hardly know how to answer that, Senator. It is a question I have not fully settled in my own mind as yet. I have given it a great deal of thought. There is something to be said on both sides.

The CHAIRMAN. What is there to be said on both sides?

Mr. MCBRIDE. In the dead space in the closed-pouch service, that which was rejected, I think, should be charged to passenger service, because it is part of the passenger train space which we considered was not properly chargeable to the mail service, and if not chargeable there was part of the passenger train space.

The CHAIRMAN. What is to be said on the other side?

Mr. MCBRIDE. Possibly the dead space in apartment cars should not be charged to passenger space.

Mr. PEABODY. May I ask this question to still further elucidate that proposition?

The CHAIRMAN. Yes.

Mr. MCBRIDE. Remember, I am stating my personal view.

Mr. PEABODY. What would be your personal view in the closed-pouch car which went out loaded and came back empty?

Mr. MCBRIDE. Do you mean a special car?

Mr. PEABODY. No. A regular baggage car went out full and came back empty. Where would that be charged, the space on the return trip?

Mr. MCBRIDE. I do not think the mail service should be charged with that space.

Mr. PEABODY. And that is one of the deductions that was made?

Mr. MCBRIDE. Yes.

Mr. PEABODY. I traced every car that we carried out full of mail which came back empty and it was all deducted. In our computation it is included, and that is what makes the difference.

The CHAIRMAN. Why should not the Government be charged, if they call for and fill a baggage car, or any other car that is used in the transportation of the mail and the railroads under the governmental authorization or request, furnish the car and transport it to the point of destination and then the railroad is absolutely unable to use that car on the return? Why should not the Government pay for that return in case the railroad is unable to utilize that car to haul it back?

Mr. MCBRIDE. Well, I think that is all right as regards specially fitted-up cars, but I can not grant it in what is known as closed-pouch space.

Mr. BRADLEY. Senator, might I ask a question along that line?

The CHAIRMAN. If you will.

Mr. BRADLEY. Aside from the subdivision of space and leaving out of consideration closed-pouch space or mail apartment car space, or any special division of mail space, and considering the general problem, suppose that this inquiry had been to ascertain the cost of passenger service and that the person making the comparison had eliminated the dead space in passenger service and had left the dead space in the mail and express business. Would he arrive at a fair result?

Mr. MCBRIDE. I hardly think so.

Mr. BRADLEY. May I restate the question?

The CHAIRMAN. Yes.

Mr. BRADLEY. Suppose that this inquiry was to ascertain the relative revenue and the relative expense of the express service and the person making the investigation had carefully eliminated all of the dead space as he could recognize it in connection with the express service, but had left in all of the dead space in the mail service. Would that have been fair to the mail service as between the mail and express service?

Mr. MCBRIDE. I do not think so.

The CHAIRMAN. Then would not this be a fair statement, that in any calculation of this character that is made either the dead service ought to be accounted for in each of the services or else it should be eliminated in each of the services?

Mr. MCBRIDE. That might be a fair way to handle it, although the fact should not be overlooked that the passenger train is operated primarily for passenger service and the mail service is incidental only. The Government has no control over the amount of space run in a train beyond that authorized and needed for the mail service.

The CHAIRMAN. What do you think about that, Mr. Prentiss?

Mr. PRENTISS. I think the three services are not comparable.

The CHAIRMAN. How are you going to get a relativeness between the two, then?

Mr. PRENTISS. You are dividing the train according to car-foot miles, and in dividing that train you find a total of so many car-foot miles in the train, and then you make your division in certain proportions and say so much to mail, so much to express, and so much to passenger. The railroad company is obliged to furnish so much space for passenger service, whether they carry them or not, and they are obliged to furnish space for trunks, whether they carry them or not.

The CHAIRMAN. They are also obliged to furnish space for the mail, whether they carry it or not?

Mr. PEABODY. Surely we do. We have to furnish the space, and we do not know whether there will be 1,000 or 10,000 pounds.

Mr. PRENTISS. On a large bulk of the lines the mail service is constant, but it changes with different times, and there are certain days during the week when the mail is heavier than it is on certain other days. I recognize all of that. We know it to be so.

The CHAIRMAN. And you make preparations for it and there is a steady increase in the mail business?

Mr. PRENTISS. Yes.

The CHAIRMAN. And you make preparations for that?

Mr. PRENTISS. We make preparations for it.

The CHAIRMAN. But you are not infallible?

Mr. PRENTISS. No.

The CHAIRMAN. And consequently you can not anticipate just what is going to be handled?

Mr. PRENTISS. No.

The CHAIRMAN. And there are occasions where the railroads, according to your directions and under the compelling influence of the law, have to furnish more space than you use. Now, what are you going to do with a case of that kind?

Mr. MCBRIDE. I think where the demand of the service requires them to run an additional car in addition to the regular baggage car they should be credited with the return space if they do not use it.

The CHAIRMAN. If it is not used?

Mr. MCBRIDE. Yes.

Mr. ROWAN. Did you carry that out in practice in the preparation of Document 105?

Mr. MCBRIDE. No; we did not. But I think we have said since then that we should have done so.

Mr. PEABODY. Suppose that the amount of space which the mails occupied in a car, and for which you allowed space, was boarded up so that that was all the space devoted to the mail. How would it be possible to handle it? Do you not require the dead space in order to handle the mail that you have in there that does not occupy all of that space? How can you handle mail just in the space that the mail itself occupies? As I understand, in a car you throw a lot of mail into the front end of a car and you are delivering it. There may be 3 feet of that car occupied by the mail. You allow 3 car-foot miles in the space, do you not?

Mr. MCBRIDE. Three feet on one side.

Mr. PEABODY. How are you going to get that to the door without occupying the other space?

Mr. MCBRIDE. If there was 3 feet allowed across the width of the car, it would provide sufficient space for that purpose.

Mr. PEABODY. How are you going to get it back to the door. Are you not obliged to have that dead space in the car to handle that mail with?

Mr. MCBRIDE. We allowed 3 feet all the way across the car, the whole width of the car. The opposite side of the car, which is not occupied, and the aisle space, it seems to me, is a sufficient allowance for handling space.

Mr. PEABODY. You mean in the length of the car, not the full width?

Mr. MCBRIDE. Three feet in length of the full width.

Mr. ROWAN. In the case of a train that is running exclusively for mail, and no other traffic being handled on the train, the dead space in that case, as I understand it, was eliminated and put over on the passenger side. I do not see why that was done.

The CHAIRMAN. Is that true, Mr. McBride?

Mr. MCBRIDE. I do not think so.

The CHAIRMAN. Could you tell. You have Document 105 there, Mr. Prentiss?

Mr. PRENTISS. An examination of the reports for the particular trains would be necessary.

Mr. BRADLEY. If you rejected any dead space on an exclusive mail train, it would have been thrown to the passenger service, would it not?

Mr. PRENTISS. It would have been thrown to dead space.

Mr. BRADLEY. And thence to the passenger.

Mr. PRENTISS. And thence to the passenger.

Mr. BRADLEY. Before Mr. Peabody concludes I would like to ask a further question in regard to the Sante Fe. In that table 7 the Post Office Department shows that the expenses per car-foot mile, operating expenses and taxes were 2.6 mills and that that figure, in comparison with the earning of 4.46 mills that we have just referred to represented a profit in performing the service of 70 per cent. Was that entirely due to the different space basis used by the Post Office Department?

Mr. PEABODY. By no manner of means. They also reduced the amount of expenses between freight and passenger very materially.

Mr. BRADLEY. Could you say how much?

Mr. PEABODY. I do not think I have the figures here, but they made a very material reduction. You were here this morning when this difference was discussed. Their method of dividing between freight and passenger made a very material reduction.

Mr. PRENTISS. I have the figures here. The figures reported by the company for the total passenger operating expenses, including passenger, baggage, express, and mail, were $2,107,102, and the same figures by the department were $1,863,224.

The CHAIRMAN. That difference, then, being due to what?

Mr. PRENTISS. To the department's method of apportionment as distinguished from the company's. I have found, Mr. Peabody, that we have never received from the company the statement of the company's method of separating the expenses referred to this morning. I have found in the files a telegram from the company in reply to a letter requesting it. It is referred to at the bottom of Form 2603:

> Your division of expenses as between passenger and freight is made in accordance with working memorandum for distribution of operating expenses between freight and passenger, copy of which is attached—

And we wrote for the copy, which was not attached. The telegram in reply referred us to the Interstate Commerce Commission.

Mr. PEABODY. My clerk told me that he had furnished it. That is all I know about it.

Mr. ROWAN. There is one more question I would like to ask. I would like to know if the Post Office Department charged to the mail service the space occupied in passenger coaches by post-office inspectors and postal clerks riding to and from their tour of duty. It is recognized we were forced to carry these people on postal commis-

sions, and I would like to know whether the space occupied by them was charged to the mail service or whether the space was charged to the passenger service?

Mr. McBride. It was not. We had no data as to the amount of space those men occupied.

Mr. Rowan. Was it charged to the passenger service?

Mr. McBride. I presume it was.

Mr. Hurst. On page 272 of this document, Mr. Peabody, the third from the last column, directly apportioned expenses chargeable to the mail services; Atchison, Topeka & Santa Fe shows nothing. Now, turn to page 29 in the same document of this Form 2602; column 31 shows the cost of station service and facilities chargeable to the mail. Have you the figures that were shown in that statement?

Mr. Peabody. Not here. We have the figures.

Mr. Hurst. You filled out those forms, did you?

Mr. Peabody. Yes; we filled every form that was asked for.

Mr. Hurst. That would show certain items directly applicable for station facilities for mail service?

Mr. Peabody. Yes.

Mr. Hurst. Still this statement shows nothing directly chargeable. Can you account for that?

Mr. Peabody. I can not. I will take a memorandum of that and advise the Senator of the result.

Mr. Bradley. The department said that they concluded not to publish those figures. On page 6 they say the data reported by the companies on Form 2602 as to expenditures for station service and station and terminal facilities furnished were very carefully considered; and, in view of the fact that it was found impossible to ascertain the total of the accounts from which the amounts directly charged on this form should be deducted, and of the fact that such data were found to be unreliable in many instances, and of the further fact that it was determined that the mail service should participate in all of the station expenses upon a basis of car-foot miles, it was decided not to make use of such information in connection with the cost ascertainment.

Mr. Peabody. That is the reason why I am insisting that the car-foot mile basis shall have regard to all of the operating expenses in this that are particularly applicable to the mail. They themselves say all the station expenses should be charged with it; all the other expense should be equally charged.

The Chairman. Now, referring to what you have just read from page 6 of Document 105, I assume that you criticize that position of the department, do you?

Mr. Bradley. Yes.

The Chairman. Give us your reasons.

Mr. Bradley. The expenses were reported as definitely assignable to the mail service, and it would seem only fair that they should have been so published.

Mr. Peabody. Whether they were used or not?

Mr. McBride. Would it not be a fact that there would be a double charge—for instance, if the department charged itself with certain station expenses at certain stations and not being able to get the total station expenses at those stations, and then participated in all

station expenses on the car-foot mile basis, would there not be a double charge?

The CHAIRMAN. Your reason for nonpublication was due to the incompleteness of the information, as we take it?

Mr. MCBRIDE. Yes, sir.

Mr. HURST. There is only one comment to make on that. In the first column of this particular table, 2602, that was not published, it calls for the wages paid porters and messengers employed exclusively in the handling of mails. If there were no figures shown in that for the Atchison, Topeka & Santa Fe they should have been in this account directly chargeable. The same condition will apply to all the railroads.

Mr. MCBRIDE. That is true; they were the wages of employees employed exclusively on mail service. Supposing we did have the expense for one particular employee, unless we had the wages of all the other employees at that station, in order to eliminate the amount thereof from consideration we would participate in all the expense at that station?

Mr. HURST. Yet, on the other hand, you eliminate all the traffic expenses, or most of them, because they were not applicable to the mails.

Mr. BRADLEY. Inasmuch as the inquiry extended over six years, would it not have been possible for the Post Office Department to have again called on the railroad companies for any additional information they thought they needed? So far as I know, there was no reluctance on the part of the railroads to furnish anything the department called for.

The CHAIRMAN. I think that Gen. Stewart has already stated in the testimony heretofore and conceded that, so far as the department was concerned and his knowledge went in reference to this inquiry, there was no criticism whatever to be made on the part of the transportation companies as to their compliance with requests that were made. I am correct in that statement, am I not?

Mr. MCBRIDE. The railroads cooperated very nicely.

Mr. PEABODY. I have one or two other matters I would like to submit.

The CHAIRMAN. I would like to ask Mr. Lorenz his view as to the fairness of elimination of credit for dead space and the application of that, as a debit, to the passenger service, given the desideratum—being ascertainment between the passenger service and the mail service or the relative compensation for both.

Mr. LORENZ. I can not see how there can be two opinions. It seems to me just as you can not operate a freight service without hauling empty freight cars, and just as you can not operate passenger service without hauling empty space, you can not operate mail service without hauling empty space, and in comparing the various departments, either on cost of revenue basis, you should include all of the space used and unused which is hauled in connection with that service, and I can not understand, therefore, why on this particular point the Post Office Department should have rejected the dead space from the mails and put it in the passenger service. It seems to me that there they made a clear error.

The CHAIRMAN. Now, proceed, Mr. Peabody?

Mr. PEABODY. I was interested in ascertaining the returns per unit of transportation on mail traffic as compared with less-than-carload freight. There is a sort of relation, if you please, between handling mail and handling less-than-carload freight. That is, it is in small packages and put on and put off, and so forth. We keep an analysis of our traffic so that we know just exactly what we handle of L. C. L. freight, and so forth. Our mail traffic for September and October, the revenue was $377,864, our L. C. L. traffic for the fiscal year was $14,268,583. We reduced the car-foot space to car-foot miles on the basis of the average length of the cars used. The car-miles were 1,903,311 for the two months in question. For the year on the L. C. L. freight there were 93,175,853. The average dead weight per car for the mail in tons was 46.68. The average dead weight for the freight car in tons was 18.03. The ton-miles of car based on dead weight was 88,846,557. The ton-miles of car based on dead weight for the freight service was 1,679,960,630. The ton-miles of load for the mail was 3,790,104. The ton-miles of load for the L. C. L. freight was 513,966,726. The gross ton-miles of the mail was 92,636,661 and for the less-than-carload freight 2,193,927,356. The revenue per gross ton-mile in mills on the mail traffic was 4.08. The revenue per gross ton-mile in mills on L. C. L. freight was 6.50. In other words, we get more on L. C. L. freight than we do on the mail, although we haul one in a freight train and the other in a passenger train.

*Atchison, Topeka & Santa Fe Ry. system—Return per unit of transportation—Mail traffic compared with less-than-carload freight.*

[Statistical department, Chicago, Feb. 20, 1913.]

| | Mail traffic, September and October, 1911. | L. C. L. freight, fiscal year 1912. |
|---|---|---|
| Revenue | $377,864 | $14,268,583 |
| Car-miles | 1,903,311 | 93,175,853 |
| Average dead weight per car, tons | 46.68 | 18.03 |
| Ton-miles of car, based on dead weight | 88,846,557 | 1,679,960,630 |
| Ton-miles of load | 3,790,104 | 513,966,726 |
| Gross ton-miles | 92,636,661 | 2,193,927,356 |
| Revenue per gross ton-mile, mills | 4.08 | 6.50 |

The CHAIRMAN. That is a most interesting statement you have presented. This is applicable to the whole of the Atchison system, representing over 10,000 miles of railroad. What constitutes less than a carload lot—L. C. L.? Suppose you had a car with a capacity of 100,000 tons and you carried 80,000 pounds; would that be less than a carload lot?

Mr. PEABODY. We have no box cars for use in merchandise of that capacity. Our largest box cars are 80,000 pounds capacity.

The CHAIRMAN. What would bring it under L. C. L. class?

Mr. PEABODY. It would make no difference how much or how little was in that. If it only had 100 pounds in it, it would still be L. C. L. freight, because it was all handled and loaded by the company in lots. Carload freight is freight loaded by the consignor and unloaded by the consignee. All that the railroad company does is to switch and haul that freight. The L. C. L. freight is loaded through the freight house by the employees of the company.

The CHAIRMAN. I would like a definition of what constitutes L. C. L. freight, and what proportion of your total freight handled do you figure is L. C. L. freight, as demonstrated in this statement?

Mr. PEABODY. L. C. L. freight is freight delivered to the freight house in small quantities, or in any quantity, if you please—although in every instance, almost, it is in small quantities—which takes what are called merchandise rates, or less-than-carload rates, consisting of first, second, third, and fourth class under the western classification, and I think under the eastern classification it includes some fifth-class freight. However, it is freight that takes merchandise rates, and takes the same rate whether it is 100 pounds, 1,000, or 1,500 pounds, and is handled exclusively by the railroad employees—loaded into the cars and unloaded by the employees and delivered out of the freight house to the consignee.

The CHAIRMAN. What percentage of the total freight business of the Atchison system would this L. C. L. freight for the fiscal year 1912 represent?

Mr. PEABODY. There were 18,798,719 tons of carload freight; there were 1,417,014 of less-than-carload freight, or merchandise. Ton-miles carload freight was 6,254,567,017, and the ton-miles of the less-than-carload freight was 513,966,726.

The CHAIRMAN. So that your less-than-carload freight represents about 6 per cent of your total freight business?

Mr. PEABODY. Of the tons handled it represents 6.7 per cent; of the ton-miles, 7.31 per cent.

The CHAIRMAN. The statement shows that you received for that per cent of the freight business 2.42 mills more from that kind of freight than you received from the mail traffic?

Mr. PEABODY. Per gross ton-miles handled.

Mr. MCBRIDE. May I ask how the ton-miles of mail were ascertained?

Mr. PEABODY. We know how many tons we hauled.

Mr. MCBRIDE. Was it based on the average daily weight?

Mr. PEABODY. Based on the weight. Those figures were obtained from Mr. Lindsay.

Mr. ROWAN. I want to ask Mr. Peabody if the definition of less than carload lot is not any amount of freight less than carload minimum. Has the loading through houses anything to do with it? For example, in New York City we handle most all of our freight through houses and through piers.

Mr. PEABODY. But you do not handle carload freight that takes the carload rate?

Mr. ROWAN. Yes, indeed. At all of our pier stations in New York City we have to handle it. The shipper can not handle it. He would not be allowed to.

Mr. PEABODY. That is not the case with the Santa Fe road. A carload lot—that is, freight which takes the carload rate—is never handled by the company, but is always handled by the shipper.

Mr. ROWAN. In the East it is different. It seems to me, the definition of less-than-carload freight is freight in quantities less than the minimum carload weight.

Mr. PEABODY. Oh, no. Any amount that takes a merchandise rate. You can have less carload rates or more than minimum carload.

Mr. BRADLEY. Is not L. C. L. retail freight business and the carload the wholesale freight?

Mr. PEABODY. Yes.

Mr. ROWAN. I wanted to correct his statement that any freight handled to the house as L. C. L. freight is not handled that way in New York City.

The CHAIRMAN. Mr. Peabody's statement is applicable to the Atchison system only.

Mr. PEABODY. That relates to all western freight.

The CHAIRMAN. I would like to ask Mr. McBride what percentage of the total mail would correspond with less than carload lots? In other words, what percentage of the mail carried would be in full cars and what percentage would go in full cars and what percentage would go in less than full cars?

Mr. MCBRIDE. I have not the figures, Senator. I would say, in my opinion, that probably 10 per cent of the weight of the mail would be carried in full carload lots.

The CHAIRMAN. Ninety per cent in less than full carload lots?

Mr. MCBRIDE. Yes; that is an estimate.

The CHAIRMAN. So that 90 per cent of the mail, for the purpose of comparison with the statement just submitted by Mr. Peabody, would compare with the less than carload column in that statement. It would then present itself in this way, to my mind, that so far as the Atchison system was concerned the Atchison received 2.42 mills more for between 6 and 7 per cent of their total freight business than they received from 90 per cent of their mail business. Is that correct?

Mr. PEABODY. Oh, no. More per ton-mile. Not in amount.

The CHAIRMAN. I say, per ton-mile?

Mr. PEABODY. Yes; more per gross ton-mile.

Mr. MCBRIDE. May I ask how ton-miles of the L. C. L. shipments were obtained?

Mr. PEABODY. We keep in my own office absolute analyses of everything we carry—all commodities.

Mr. MCBRIDE. Every shipment, or do you apply the average?

Mr. PEABODY. No. We take every actual shipment. I can tell you how far on our road every shipment travels and between what stations.

Mr. MCBRIDE. This data was obtained from those figures of actual shipments?

Mr. PEABODY. Yes. This is something we keep all the time. There is a statement made of all the commodities handled on our road.

The CHAIRMAN. To my mind, that is one of the most interesting statements that has been presented at our hearing, as I have always assumed that the railroads received less per ton-mile for freight than for any other class of business performed by the railroads.

Mr. PEABODY. We do; for all freight.

The CHAIRMAN. I accept the correction and was going to state that this statement of a percentage, which in tons, as in value, is a very material percentage for the gross business of the railroad, shows that you receive more for freight than you do per ton-mile for 90 per cent of the mail.

Mr. PEABODY. Yes, sir.

Mr. LORENZ. You distinctly recognize that this is not per ton-mile of mail and ton-mile of freight, but ton-mile of freight and car and mail and car. In other words, the dead weight of the car is figured in this, which makes the difference in the comparison.

The CHAIRMAN. What difference would that make in the comparison?

Mr. PEABODY. You will notice that the average dead weight of the car for mail is 46 tons and a fraction, whereas the average dead weight of the car for the freight is 18 tons and a fraction.

The CHAIRMAN. Then this difference is due to the fact of the extra weight of the car for mail?

Mr. PEABODY. Largely, and chiefly.

Mr. MCBRIDE. How did you ascertain the car miles in the mail traffic for closed-pouch mail?

Mr. PEABODY. I know just exactly.

Mr. MCBRIDE. Prorate the car?

Mr. PEABODY. Every car handled.

Mr. MCBRIDE. For instance, in the baggage car you devote a certain amount of space to mail?

Mr. PEABODY. I do; and had a report for these two months for the mail. I also had a report for those two months of every car handled on our line, and the figures were made from those actual statements, and I have in my office the dead weight of every car handled, so that there was no difficulty in obtaining the exact figures.

Mr. LORENZ. The difference, then, is not simply due to the weight of the average car, but also due to the utilization in that car.

The CHAIRMAN. That is the load placed in the car?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. The fact that a relatively smaller percentage of weight of mail goes into the car than the weight of merchandise in the L. C. L. classification.

Mr. LORENZ. In other words, a load of 6 tons would be high for an average of mail cars, whereas a load of something more than that would be larger for less-than-carload freight?

Mr. PEABODY. Oh, no. Our average L. C. L. freight will be less than 6 tons.

Mr. LORENZ. Have you any figure as to the average load of the mail car?

Mr. PEABODY. No.

Mr. LORENZ. Perhaps 2 or 3 tons?

Mr. PEABODY. I do not know what it is.

Mr. BRADLEY. It would not exceed 3 tons for the whole country?

Mr. PEABODY. But there is not very much difference between the average weight of the mail, I should judge, and the average weight of the L. C. L. freight. We handle many cars that only have 100 pounds or 200 pounds. If they have 100 pounds it is a loaded car.

Mr. LORENZ. These reasons for the difference, however, do not affect the value of the comparison, because the cost of hauling, of course, is better figured on the basis of the car and contents than on the contents alone.

The CHAIRMAN. I would like for Mr. Lorenz to further develop the thought in his mind. You mean that the difference in tonnage handled by the railroads in merchandise in less than carload lots or

mail in less than carload lots, for the sake of comparison, is not as important as the difference in weight of the two cars?

Mr. LORENZ. I would not say that it was not as important. What I meant was, for the purposes of the comparison of cost combined, weight of the contents and the car is a fair method of comparison—in fact, a fairer method of comparison—than if you take the cost per ton-mile of the load alone.

Mr. PEABODY. Because you have to haul both of them?

The CHAIRMAN. Here you have taken the combined weight in this computation?

Mr. PEABODY. Yes.

The CHAIRMAN. What do you think of that viewpoint, Mr. McBride, namely, is not the combined weight of cars and the loads fairer, for the sake of comparison, than the load alone?

Mr. MCBRIDE. I think for some parts of the expenditure it would be fairer.

The CHAIRMAN. As an element of computation for determination as to compensation for the services to be rendered?

Mr. MCBRIDE. I think it is very valuable in that connection for comparison.

The CHAIRMAN. If weight is a factor in determination of the compensation should the two be considered together?

Mr. MCBRIDE. I would not want to answer that question without further consideration.

The CHAIRMAN. How does it appeal to you, then, on first impression?

Mr. MCBRIDE. There are so many things coming up here, one right after the other, that I hardly feel prepared to offer an opinion offhand.

The CHAIRMAN. In mail compensation, weight of cars has never been taken into calculation at all?

Mr. MCBRIDE. No, sir.

The CHAIRMAN. The weight of mail itself has?

Mr. MCBRIDE. Yes.

The CHAIRMAN. In freight compensation is weight of cars taken into consideration?

Mr. PEABODY. In making the rates?

The CHAIRMAN. Yes.

Mr. PEABODY. No, sir.

The CHAIRMAN. As a more scientific method is developed, do you think that the weight of the car should be a factor in rate making?

Mr. PEABODY. I will have to modify my answer that I just made. In a sense the weight of the car is taken into account in rate making. The rate on L. C. L. business is made higher for several reasons, one of which is the light load which we are unable to carry in the cars, as compared with the heavy car with carload freight. We make our rates on L. C. L. business, and we will take, for instance, soap, if you please. If we were offered a carload of soap our rate would be one thing. If we were offered a thousand pounds of soap our rate would be another thing.

The CHAIRMAN. That is the wholesale and retail feature of rate making?

Mr. PEABODY. And the higher rate per thousand pounds is made partly because we would have to haul more dead weight with the

thousand pounds. L. C. L. loads will be less than 6 tons and our average carload freight is 22.44 tons. That is the average carload on the entire line.

The CHAIRMAN. What is your average carrying capacity of your car? It varies, of course, with the classification?

Mr. PEABODY. The carrying capacity does not mean what you have in mind. The carrying capacity means the supporting power of the axle. The carrying capacity of an 80,000-pounds car if you put buggies in it would not be over 4,000 pounds, because the space would determine that.

The CHAIRMAN. But the charge you would make would be based upon the fact that it would carry 80,000 pounds of something else than buggies?

Mr. PEABODY. No. Our minimums are a great deal lower than that. We do charge more for a carload of buggies, proportionately, a higher rate per hundred pounds, than we would on a carload of brick, because we could load very many more brick in a car than we could buggies.

The CHAIRMAN. Then do you not take both space and weight into consideration in making those rates?

Mr. PEABODY. Oh, yes.

The CHAIRMAN. Then what is the objection to the departmental recommendation of substitution of space for weight in 90 per cent of the mail business?

Mr. PEABODY. I am not familiar enough with the mail business to answer that question intelligently. That is somewhat outside of my line, and I have never investigated the carrying operation of the mail business.

The CHAIRMAN. Very well. Now, you may proceed, Mr. Peabody.

Mr. PEABODY. Either yourself or Mr. Lloyd at the last hearing I attended asked for some specific gauges of mail handled at different points showing what the result was. I have prepared half a dozen cases of that kind. The first one here is Carrollton, Mo. That I selected because it was in Mr. Lloyd's district and quite a large town.

*Statistics of mail handling at Carrollton, Mo.*

| | |
|---|---|
| Number of mail route on which located | 135098 |
| Length of route—miles | 454 |
| Population of town | 3,452 |
| Total pounds handled per year on route | 51,053,050 |
| Total yearly compensation of route | $374,852.53 |
| Pounds handled at Carrollton per year | 369,884 |
| Proportion of Carrollton weight to total—per cent | 0.72451 |
| Amount of pay accruing to Carrollton | $2,715.84 |
| Number of pounds handled at Carrollton per day | 1,013 |
| Compensation for Carrollton per day | $7.41 |
| Number of mail trains serving Carrollton daily | 6 |
| Average pounds handled per train | 169 |
| Average compensation per train | $1.23 |

The CHAIRMAN. You have several stations with the same computation?

Mr. PEABODY. Yes. Some of them are very startling. Here is one at La Plata, Mo., which is also in Mr. Lloyd's district.

*Statistics of mail handling at La Plata, Mo.*

| | |
|---|---|
| Number of mail route on which located | 135098 |
| Length of route—miles | 454 |
| Population of town | 1,605 |

| | |
|---|---|
| Total pounds handled per year on route | 51,053,050 |
| Total yearly compensation of route | $374,852.53 |
| Pounds handled at La Plata per year | 528,105 |
| Proportion of La Plata weight to total per cent | 1.03445 |
| Amount of pay accruing to La Plata | $3,877.47 |
| Number of pounds handled at La Plata per day | 1,447 |
| Compensation for La Plata per day | $10.63 |
| Number of mail trains serving La Plata daily | 6 |
| Average pounds handled per train | 261 |
| Average compensation per train | $1.77 |

The CHAIRMAN. While the Carrollton compensation shows $1.23.

Mr. PEABODY. Yes. The next statement is Winslow, Ariz., a division point out in the desert.

*Statistics of mail handling at Winslow, Ariz.*

| | |
|---|---|
| Number of mail route on which located | 167003 |
| Length of route miles | 565.17 |
| Population of town | 2,381 |
| Total pounds handled per year on route | 27,963,162 |
| Total yearly compensation of route | $211,735.65 |
| Pounds handled at Winslow per year | 184,363 |
| Proportion of Winslow weight to total per cent | 0.665738 |
| Amount of pay accruing to Winslow | $1,409.60 |
| Number of pounds handled at Winslow per day | 505 |
| Compensation for Winslow per day | $3.86 |
| Number of mail trains serving Winslow daily | 4 |
| Average pounds handled per train | 101 |
| Average compensation per train | $0.96½ |

The CHAIRMAN. How do you account for the differences in compensation?

Mr. PEABODY. The difference in the weight of mail.

The CHAIRMAN. The volume of business?

Mr. PEABODY. Yes. The next statement is Saffordville, Kans.:

*Statistics of mail handling at Saffordville, Kans.*

| | |
|---|---|
| Number of mail route on which located | 155010 |
| Length of route miles | 472.87 |
| Population of town | 250 |
| Total pounds handled per year on route | 115,941,527 |
| Total yearly compensation of route | $425,573.41 |
| Pounds handled at Saffordville per year | 44,595 |
| Proportion of Saffordville weight to total per cent | 0.038463 |
| Amount of pay accruing to Saffordville | $163.69 |
| Number of pounds handled at Saffordville per day | 122 |
| Compensation for Saffordville per day | $0.45 |
| Number of mail trains serving Saffordville daily | 4 |
| Average pounds handled per train | .31 |
| Average compensation per train | $0.11 |

*Statistics of mail handling at Holly, Colo.*

| | |
|---|---|
| Number of mail route on which located | 155010 |
| Length of route miles | 472.87 |
| Population of town | 920 |
| Total pounds handled per year on route | 115,941,527 |
| Total yearly compensation of route | $425,573.41 |
| Pounds handled at Holly per year | 144,422 |
| Proportion of Holly weight to total per cent | 0.124566 |
| Amount of pay accruing to Holly | $530.12 |
| Number of pounds handled at Holly per day | 396 |
| Compensation for Holly per day | $1.45 |
| Number of mail trains serving Holly daily | 6 |
| Average pounds handled per train | 66 |
| Average compensation per train | $0.24 |

*Statistics of mail handling at Spearville, Kans.*

| | |
|---|---|
| Number of mail route on which located | 155010 |
| Length of route—miles | 472.87 |
| Population of town | 576 |
| Total pounds handled per year on route | 115,941,527 |
| Total yearly compensation of route | $425,573.41 |
| Pounds handled at Spearville per year | 98,247 |
| Proportion of Spearville weight to total—per cent | 0.084739 |
| Amount of pay accruing to Spearville | $360.63 |
| Number of pounds handled at Spearville per day | 269 |
| Compensation for Spearville per day | $0.99 |
| Number of mail trains serving Spearville daily | 8 |
| Average pounds handled per train | 34 |
| Average compensation per train | $0.12 |

*Statistics of mail handling at Raton, N. Mex.*

| | |
|---|---|
| Number of mail route on which located | 165006 |
| Length of route—miles | 348.37 |
| Population of town | 4,539 |
| Total pounds handled per year on route | 31,760,075 |
| Total yearly compensation of route | $188,246.41 |
| Pounds handled at Raton per year | 441.139 |
| Proportion of Raton weight to total—per cent | 1.389000 |
| Amount of pay accruing to Raton | $2,614.74 |
| Number of pounds handled at Raton per day | 1,209 |
| Compensation for Raton per day | $7.16 |
| Number of mail trains serving Raton daily | 5 |
| Average pounds handled per train | 242 |
| Average compensation per train | $1.43 |
| Actual expenditure for terminal service per year | $300 |

The CHAIRMAN. To make your comparison there, what have you?

Mr. PEABODY. The total amount of pay is $2,614.74, out of which we have to pay $300.

Shoemaker, N. Mex., is the next statement:

*Statistics of mail handling at Shoemaker, N. Mex.*

| | |
|---|---|
| Number of mail route on which located | 165006 |
| Length of route—miles | 348.37 |
| Population of town | 27 |
| Total pounds handled per year on route | 31,760,075 |
| Total yearly compensation of route | $188,246.41 |
| Pounds handled at Shoemaker per year | 17,207 |
| Proportion of Shoemaker weight to total—per cent | .054178 |
| Amount of pay accruing to Shoemaker | $101.99 |
| Number of pounds handled at Shoemaker per day | 47 |
| Compensation for Shoemaker per day | $0.28 |
| Number of mail trains serving Shoemaker daily | 3 |
| Average pounds handled per train | 16 |
| Average compensation per train | $0.09 |

*Statistics of mail handling at Searchlight, Nev.*

| | |
|---|---|
| Number of mail route on which located | 176013 |
| Length of route—miles | 23.57 |
| Population of town | 387 |
| Total pounds handled per year on route | 198,025 |
| Total yearly compensation of route | $1,047.92 |
| Pounds handled at Searchlight per year | 78,447 |
| Proportion of Searchlight weight to total—per cent | 39.616 |
| Amount of pay accruing to Searchlight | $415.14 |
| Number of pounds handled at Searchlight per day | 215 |
| Compensation for Searchlight per day | $1.14 |
| Number of mail trains serving Searchlight daily | 2 |
| Average pounds handled per train | 108 |
| Average compensation per train | $0.57 |
| Actual expenditure for terminal service per year | $660 |

We have to pay terminal service of $660—$245 more than we get.

The CHAIRMAN. You have to pay that because of handling the mail there?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. That is a side and terminal service?

Mr. MCBRIDE. Have you included transportation pay for the terminal distance in there?

Mr. PEABODY. Yes, sir. I am right, am I not? The terminal service is in the Searchlight proposition?

Mr. LINDSAY. Yes.

Mr. MCBRIDE. The transportation pay for the terminal distance is included in that?

Mr. LINDSAY. Yes.

The CHAIRMAN. Before we leave this Scearchlight proposition, this charge of $660 per year for terminal service, if you did not carry the mail, you would not have to make that charge at all?

Mr. PEABODY. No, sir. That is a man we hire at $55 per month.

The CHAIRMAN. And his time is solely and wholly occupied in that business?

Mr. PEABODY. He is not a railroad employee at all in any other way.

The CHAIRMAN. You pay $55 a month to an individual at Scearchlight who serves two trains a day at Scearchlight and handles per train 108 pounds. Presumably, unless the department is at a very much greater distance from the station than the population of the town, being stated at 387, not over an hour of his time should be occupied in handling that mail and getting it to the train from the post office and from the train to the post office. Is not that pretty high compensation for an individual for that limited consumption of time?

Mr. PEABODY. I do not know the circumstances at all in connection with it. I assume, however, that inasmuch as that is a mining town and the demand for men is rather strong, I think it doubtful if you could get a man to do that without paying him full time, even if it did not occupy but an hour a day; but that is mere supposition.

Mr. LINDSAY. The condition there is it is let to a subcontractor, who operates a wagon line, a hack, and you can not secure an individual for that much money per month who wants to stay there and do that work. The station force there is such that it can not conveniently handle it, and they sublet to this outside man to do that service for $55 a month.

The CHAIRMAN. Then, is it hardly fair to bring this out as an illustration of the burden of the side service without governmental consideration and compensation for that burden, in view of the fact that there are some 60,000, in round numbers, post offices in the United States?

Mr. LINDSAY. It is stated merely to illustrate what it costs us to do it.

The CHAIRMAN. Have you got here some statements of some of the large cities where you serve?

Mr. PEABODY. No; I have not any large cities. I have quite a large town of 2,689 people at Pauls Valley, which is south of Purcelle, in the State of Oklahoma.

*Statistics of mail handling at Pauls Valley, Okla.*

| | |
|---|---|
| Number of mail route on which located | 153009 |
| Length of route—miles | 171.78 |
| Population of town | 2,689 |
| Total pounds handled per year on route | 5,824,621 |
| Total yearly compensation of route | $30,814.98 |
| Pounds handled at Pauls Valley per year | 463,838 |
| Proportion of Pauls Valley weight to total—per cent | 7.9936 |
| Amount of pay accruing to Pauls Valley | $2,463.22 |
| Number of pounds handled at Pauls Valley per day | 1,271 |
| Compensation for Pauls Valley per day | $6.75 |
| Number of mail trains serving Pauls Valley daily | 6 |
| Average pounds handled per train | 212 |
| Average compensation per train | $1.13 |
| Actual expenditure for terminal service per year | $360 |

*Statistics of mail handling at Chloride, Ariz.*

| | |
|---|---|
| Number of mail route on which located | 168009 |
| Length of route—miles | 22.62 |
| Population of town | 470 |
| Total pounds handled per year on route | 35,429 |
| Total yearly compensation of route | $967.00 |
| Pounds handled at Chloride per year | 17,715 |
| Proportion of Chloride weight to total—per cent | 50 |
| Amount of pay accruing to Chloride | $483.50 |
| Number of pounds handled at Chloride per day | 49 |
| Compensation for Chloride per day | $1.33 |
| Number of mail trains serving Chloride daily | 2 |
| Average pounds handled per train | 25 |
| Average compensation per train | $0.67 |
| Actual expenditure for terminal service per year | $469.50 |

The CHAIRMAN. Suppose you had a statement of San Francisco.

Mr. PEABODY. I can get that for you. I will be glad to get any point on our line.

The CHAIRMAN. How long would it take to get that statement?

Mr. PEABODY. It would not take any time at all after I get home.

The CHAIRMAN. I wish you would give a statement for the three largest cities the Atchison system serves.

Mr. PEABODY. Chicago, Kansas City, and San Francisco. I will be frank to say that I was asked for examples or illustrations.

The CHAIRMAN. For which we are very grateful to you for furnishing the information to the committee, but in order to get the full weight it is desirable, to my mind at least, to have the scope as broad as possible.

Mr. MCBRIDE. I would suggest that as all of these cities have wagon service and at none of them do railroads perform any service except porterage service, if they would include one or two large cities where they do perform the service, it would be illuminating.

The CHAIRMAN. I would be glad to elaborate my request. Could you mention such city?

Mr. MCBRIDE. I could not offhand.

Mr. LINDSAY. San Diego is a terminal and they are asking for $900 more right now.

Mr. MCBRIDE. I suggest San Diego, Cal., and Albuquerque, N. Mex.

The CHAIRMAN. Now, Mr. Peabody, have you the information as to what the actual cost to the Atchison, Topeka & Santa Fe is for the side and terminal service required by the Government?

Mr. PEABODY. All of it?

The CHAIRMAN. Yes.

Mr. PEABODY. We have a statement of that sort at the office; yes, sir.

The CHAIRMAN. Have you in mind the figures?

Mr. PEABODY. No; I have not. I think probably Mr. Lindsay could give you better information.

Mr. LINDSAY. I have an inquiry out for that now, trying to get it in complete shape. We found a great many errors in it and they are going all over it so we will make a complete statement of the side and terminal service we are responsible for, the performance and cost, estimated or real.

The CHAIRMAN. Mr. Peabody, would you state briefly what improvements, if any, could be made in the present method of ascertainment and settlement by the Government with the transportation companies for the railway mail pay at the R. P. O. service?

Mr. PEABODY. I do not know anything about the methods now. I understand that it is a space basis for the R. P. O service and the weight basis for the mail, with nothing for the apartment cars, and that is about all of my knowledge on the subject. I do not think my opinion would be worth anything, Senator.

The CHAIRMAN. Then the demonstration and presentation that you have made before the committee is for the purpose of showing the Atchison system's method of accounting and apportionment of operating expenses between freight and passenger, and the suggestion as to the method you adopt in ascertainment of apportionment between mail and passenger profit?

Mr. PEABODY. The object is to show that under what we believe to be a fair apportionment of expenses as between freight and passenger, that in proportion to space occupied by the mail on our passenger trains the service performed on account of the mail is underpaid in proportion to the cost of the service, that it does not, in other words, pay its fair share of the total expenses and outlays to which the railroad is subjected in the performance of the service. That is the object of the statement, and in that statement you will notice I have shown the cost, I have shown the return, and I have shown the value of the property and what the return should be on the basis of 6 or 7 per cent, which is the normal rate of return as found by the court.

The CHAIRMAN. Have you any suggestion to make for the information of the committee by which the insufficiency of compensation, according to your viewpoint, could be rectified?

Mr. PEABODY. Only by an increase in the compensation, but I have no suggestion formulated as to how that increase can be effected. I do not know enough about the business. I do not like to offer suggestions that are not feasible.

The CHAIRMAN. You will prepare and mail to the committee specific comments in reference to the suggested plan of ex-Postmaster General Hitchcock as set forth on page 159 of this pamphlet?

Mr. PEABODY. Yes, sir; I will undertake to do that as far as I can.

The CHAIRMAN. We are much obliged to you, Mr. Peabody, for your view.

Thereupon, at 6 o'clock p. m., the hearing adjourned to meet at the call of the chairman.

*Atchison, Topeka & Santa Fe Railway system—Net income, by classes, of traffic, September and October, 1911.*

[Statistical Department, Chicago, Mar. 6, 1912.]

| | Amount. | Per cent. |
|---|---|---|
| Apportionment of operating expenses (on car-foot mile basis): | | |
| Car-foot miles— | | |
| Passenger | 1,209,901,808 | 80.37 |
| Mail | 110,125,645 | 7.32 |
| Express | 185,382,251 | 12.31 |
| Total | 1,505,409,704 | 100.00 |
| Total passenger train operating expenses | $4,394,347.26 | =36 |
| Proportion chargeable to— | | |
| Passenger, 80.37 per cent | 3,531,736.89 | ..... |
| Mail, 7.32 per cent | 321,666.22 | ..... |
| Express, 12.31 per cent | 540,944.15 | ..... |
| Apportionment of taxes, interest, rentals, hire of equipment (on revenue basis): | | |
| Freight revenue (including freight, miscellaneous) | 13,191,317.90 | 69.80 |
| Passenger revenue (including passenger, miscellaneous) | 4,722,656.95 | [1] 24.99 |
| Mail revenue | 377,864.26 | [2] 2.00 |
| Express revenue | 608,263.98 | [3] 3.21 |
| Total | 18,900,103.09 | 100.00 |
| Taxes, interest, rentals, and hire of equipment | 3,112,495.90 | ..... |
| Proportion chargeable to— | | |
| Freight, 69.80 per cent | 2,172,522.14 | ..... |
| Passenger, 24.99 per cent | 777,812.72 | ..... |
| Mail, 2 per cent | 62,249.92 | ..... |
| Express, 3.21 per cent | 99,911.12 | ..... |

[1] Equals 82.72 per cent of passenger revenue.
[2] Equals 6.62 per cent of passenger revenue.
[3] Equals 10.66 per cent of passenger revenue.

RECAPITULATION.

| | Freight. | Passenger. | Mail. | Express. | Total. |
|---|---|---|---|---|---|
| Operating revenue | $13,191,317.90 | $4,722,656.95 | $377,864.26 | $608,263.98 | $18,900,103.09 |
| Operating expenses | 7,791,471.10 | 3,531,736.89 | 321,666.22 | 540,944.15 | 12,185,818.36 |
| Net operating revenue | 5,399,846.80 | 1,190,920.06 | 56,198.04 | 67,319.83 | 6,714,284.73 |
| Ratio | 59.06 | [1] 74.78 | [1] 85.13 | [1] 88.93 | 64.47 |
| Taxes, interest, etc | 2,172,522.14 | 777,812.72 | [2] 62,249.92 | 99,911.12 | 3,112,495.90 |
| Net income | 3,227,324.66 | 413,107.34 | [3] 6,051.88 | [3] 32,591.29 | 3,601,788.83 |
| Earnings per car-foot mile —mills | ..... | 3.89 | 3.43 | 3.28 | 3.78 |

[1] Average ratio all passenger service, 77 per cent.
[2] Should be as adjusted at end of year, $64,629.60.
[3] Deficit.

| | |
|---|---|
| Mail, net operating revenue | $56,198.04 |
| Taxes, except equipment and rental | 17,426.20 |
| | 38,771.84 |

(On the basis of January, 1910, revenue, the loss would have been $60,548.66.)

*Atchison, Topeka & Santa Fe Railway system net income, by classes, of traffic, September and October, 1911*—Continued.

| | Amount. | Equals at 2 per cent— |
|---|---|---|
| Taxes | $751,957.91 | $15,039.16 |
| Rentals | 18,215.93 | 364.32 |
| Hire of equipment | 101,135.91 | 2,022.72 |
| Total | 871,309.75 | 17,426.20 |
| Interest | 2,241,186.15 | 44,823.72 |
| Total | 3,112,495.90 | 62,249.92 |

| | |
|---|---|
| Value of property used | $603,390,485.00 |
| Mail proportion | 12,067,809.00 |
| Return, 60 days at 6 per cent | 120,678.09 |
| Return, 60 days at 7 per cent | 140,791.11 |

On basis of 7 per cent return the shortage would be $95,205 additional for mail, equal to $607,541 per year.
On basis of 6 per cent return the shortage would be $75,099 additional for mail, equal to $486,905 per year.

# RAILWAY MAIL PAY.

TUESDAY, APRIL 22, 1913.

JOINT COMMITTEE ON POSTAGE ON SECOND-CLASS MAIL MATTER, ETC.,
*Washington, D. C.*

The hearing was resumed at the call of the chairman at 10.30 o'clock a. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Hon. Harry A. Richardson, Senator John W. Weeks, and Representative James T. Lloyd.

## STATEMENT OF MR. ROBERT S. LOGAN.

The CHAIRMAN. Mr. Logan, it will be necessary that you be sworn.

Thereupon Mr. Logan was duly sworn by the chairman.

The CHAIRMAN. Will you kindly state your full name, residence, occupation, and the official position that you occupy with any transportation lines?

Mr. LOGAN. Robert S. Logan; residence, Montreal, Canada; I am vice president of the Grand Trunk Railway system in charge of lands, taxes, claims, mail matter, etc.

The CHAIRMAN. I will ask the gentlemen present to be sworn in order that they may take part in this debate, if they like.

Thereupon the following-named gentlemen were sworn by the chairman:

H. E. Mack, manager mail traffic, Missouri Pacific Railway.

A. H. Rowan, assistant to vice president, New York Central Lines, Grand Central Terminal, New York.

Joseph N. Crocker, special mail agent, New York Central Lines, Grand Central Terminal, New York.

Herbert L. Fairfield, supervisor of mail traffic, Illinois Central Railroad Co., Chicago, Ill.

J. P. Lindsay, manager mail traffic, Atchison, Topeka & Santa Fe Railway system, Chicago, Ill.

John Hurst, assistant comptroller, Pennsylvania Lines West of Pittsburgh, Pittsburgh, Pa.

W. W. Safford, general mail and express agent, Seaboard Air Line Railway, Norfolk, Va.

Russell H. Snead, manager express traffic, Chesapeake & Ohio Railroad Co.

V. J. Bradley, general supervisor of mail traffic, Pennsylvania Railroad, Philadelphis, Pa.

Max Otto Lorenz, associate statistician, Interstate Commerce Commission.

C. H. McBride, superintendent division of railway adjustments, Post Office Department.

Albert Noble Prentiss, clerk, Post Office Department.

The CHAIRMAN. Mr. Logan, what mileage and what capital does the Grand Trunk Railway system represent?

Mr. LOGAN. Between 1,000 and 1,100 miles in the United States.

The CHAIRMAN. How much in Canada?

Mr. LOGAN. About 3,600 miles. I do not remember just what the capitalization is. We have several subsidiary railway companies and other organizations in Canada.

The CHAIRMAN. The whole system is composed of this mileage you have stated?

Mr. LOGAN. In Canada and the United States?

The CHAIRMAN. Yes.

Mr. LOGAN. No. The capitalization is about half a billion dollars; to be more exact, about $420,000,000. That portion in the United States is about $59,000,000.

The CHAIRMAN. Is that a subsidiary company, or is that a part of the parent company?

Mr. LOGAN. In the United States the several companies are subsidiary, controlled by the parent company.

The CHAIRMAN. What are the names of the roads that are operated in the United States?

Mr. LOGAN. The Grand Trunk Western is our principal mail-carrying line, the Detroit, Grand Haven & Milwaukee; Toledo, Saginaw and Muskegon; Cincinnati, Saginaw & Mackinaw; the Michigan Air Line Railway; the Chicago, Detroit & Canada Grand Trunk Junction, and the Pontiac, Oxford & Northern Railway. Those companies compose what we term our western lines, and we have a line of about 160 miles in the New England States to Portland, Me.

The CHAIRMAN. Your terminals in the United States are where?

Mr. LOGAN. Portland, Me., Chicago, Detroit, Milwaukee, Saginaw, and Bay City and Port Huron.

The CHAIRMAN. You receive mail, do you, from other railroads at those points?

Mr. LOGAN. We receive mail at all of those points from other railroads.

The CHAIRMAN. And also deliver mail?

Mr. LOGAN. And deliver mail.

The CHAIRMAN. Have you read over Document 105, and especially that portion of it known as the suggested plan of the Post Office Department and the supplemental or amended suggested plan, as represented on page 109 of the preliminary report?

Mr. LOGAN. I have not read all of it, but I am familiar with the main facts.

The CHAIRMAN. What comments would you have to make in reference to that, from a transportation standpoint; that is, the compensation to be received from the Government by the transportation companies for the carriage of mail?

Mr. LOGAN. That is, as I understand, the proposition of the Post Office Department, to pay on a space basis.

The CHAIRMAN. Yes; the substitution of space for weight, in effect, and payment to be made upon a linear car-foot-mile basis?

Mr. LOGAN. We do not consider that a fair basis to all alike.

The CHAIRMAN. Your reasons being what?

Mr. LOGAN. I would concur in the views expressed in the written form that Chairman Peters prepared, with the concurrence of the committee on railway mail pay, especially the summary contained at the end of that pamphlet as to the nature of the payment to the railroads on the car-space basis now provided and the basis proposed. I think they are eminently fair, except I do nor think they go far enough, especially with the adoption and the inauguration of the parcel-post system.

The CHAIRMAN. Taking your own system, for example, you feel that you are underpaid, overpaid, or equitably paid—which?

Mr. LOGAN. We are underpaid.

The CHAIRMAN. What compensation do you receive annually from the Government?

Mr. LOGAN. About $225,000.

The CHAIRMAN. Is that all railway mail pay or part R. P. O. pay?

Mr. LOGAN. Part R. P. O. pay.

The CHAIRMAN. The two amount to $225,000?

Mr. LOGAN. Yes.

The CHAIRMAN. How much underpaid do you figure you are?

Mr. LOGAN. We figure we now receive only about from 55 to 60 per cent of what we should receive.

The CHAIRMAN. On what basis?

Mr. LOGAN. On a basis of approximate expenditure and the approximate earning capacity of the space provided and used.

The CHAIRMAN. Which, earning capacity or expenditure?

Mr. LOGAN. We are about even. We do not consider our passenger service much more than pays our expenses on our lines in the United States.

The CHAIRMAN. Then you figure in the way of mail compensation from the United States that you are doing it at a loss of from 40 to 45 per cent?

Mr. LOGAN. That is what we estimate.

The CHAIRMAN. Can you demonstrate that?

Mr. LOGAN. Yes; I think I can give some facts and figures.[1] When the Post Office Department called for information in regard to the carriage of mails in 1909, on the basis of monthly experience, for the month of November, we had a statement prepared for our Grand Trunk Western Railway only based on the data that was obtained at that time for reporting to the Post Office Department, which I turned over to our audit department to prepare me a statement based on their estimates showing how this worked out. They took our total expense account, divided it between passenger and freight, on our train-mile basis, which I understand is what general auditors concur is as close an approximation as they can get, especially of the common or unassignable expenses.

The CHAIRMAN. Is that plan that you adopt that of the auditors of the Grand Trunk?

Mr. LOGAN. Yes; it is the plan approved by the Bureau of Statistics for the Government of Canada and adopted by them in their work in connection with their Government road.

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[1] For statement showing net income by classes of traffic of Grand Trunk Western Railway Co. for year ending June 30, 1912, see conclusion of Mr. Logan's testimony, pp. 562.

The CHAIRMAN. Are you aware as to how that compares with the plan of the Interstate Commerce Commission in this country?

Mr. LOGAN. I think it was formerly the plan adopted by the Interstate Commerce Commission and so far as any definite basis has ever been adopted. Then, to the expenses, as found between passenger and freight, we added taxes, bond interest, hire of equipment, miscellaneous rents, etc., deducted our general interest, dividends on stock owned or controlled, miscellaneous rents, which we considered very conservative, arriving at the total net operating expenses, and then we divided these net operating expenses between the passenger and the freight, finding the proportion chargeable to the passenger service. Then we took our total baggage-car equipment and assigned an average of 1 linear foot of each baggage car to the mail service handled in baggage cars, and we consider that a very fair estimate; it does not materially affect the result, however. We add that to the space included in our mail cars. I might add, the mail proportion of the baggage cars was 1.84 per cent of the total space occupied or assigned for baggage and mail together. We added that proportion to the mail-car or R. P. O. car mileage, which total we found to be 71,525 miles. The proportion that mileage bore to the total passenger train car mileage for the entire month of November was 8.95 per cent, just a fraction less than 9 per cent. We then took our total operating expenses chargeable to the passenger service and found what 8.95 per cent of that amounted to, approximately $16,826 of the total passenger portion of the expenses, $188,000 for the month. Our mail revenue for the same month was $11,784; we had no difficulty in finding what that was. They calculated that we were operating them (year 1909) on G. T. Western at a loss of $5,000, or approximately 30 per cent.

Mr. LLOYD. Are you through, at that point?

Mr. LOGAN. I was going to say that was for the year 1909, and our costs have increased considerably since 1909, owing to the increase in cost of material and wages. We found on this basis that our average cost per mail-car mile was 23.52 cents, whereas our average revenue per mail-car mile was 16.47 cents, showing an actual loss of 7.05 cents; while our cost per car mile for 1912 was 27 cents. I submit a statement for 12 months ending June 30, 1912.

Mr. LLOYD. Just at that point, I think that is a proper place to make an inquiry. You combined the space in the passenger car with the space in the baggage car in calculating baggage space.

Mr. LOGAN. Yes; and express car; baggage, express, and passenger space is all calculated in this proportion of 91.5 per cent.

The CHAIRMAN. Did you classify the baggage and the passenger together as a passenger coach.

Mr. LOGAN. Yes.

The CHAIRMAN. Just the same way.

Mr. LOGAN. All included in passenger space.

The CHAIRMAN. And took out of the baggage space 1.84 per cent of that space and gave that to mail?

Mr. LOGAN. Gave that to mail.

The CHAIRMAN. How much did you lose on the passenger traffic?

Mr. LOGAN. During that month we got out about even.

The CHAIRMAN. In counting the passenger space, do you count all the space in the passenger car?

Mr. LOGAN. All the interior space.

The CHAIRMAN. All the interior space in the passenger car?

Mr. LOGAN. Yes; and all the interior space in the baggage and the mail car.

The CHAIRMAN. Figured on a floor basis; that is, square feet on the floor, or cubic feet.

Mr. LOGAN. We figured that on a basis of square feet of space.

The CHAIRMAN. Floor space.

Mr. LOGAN. Floor space.

Mr. LLOYD. Do you figure out any dead space in either passenger, baggage, or mail car?

Mr. LOGAN. No; we took all the space that was occupied in each car.

Mr. LLOYD. And charged to mail everything in the mail car?

Mr. LOGAN. Everything in the mail car. They use it all whether they pay us or not, as a rule.

The CHAIRMAN. What is your method of receiving compensation from the Canadian Government for mail in Canada?

Mr. LOGAN. That is on the basis of $160 per road mile for main lines, and $80 per road mile for branch lines.

The CHAIRMAN. That is the universal method?

Mr. LOGAN. No; there is a difference in basis of compensation in Canada. Some roads are paid so much per train-mile, or so much per baggage-car mile. The Post Office Department is now conducting a study with a view to putting all on an equal basis, so as to pay the railroads on a uniform basis like they have here for a number of years past.

Mr. LLOYD. Have you any data to show what percentage of the total postal expenditures in Canada the transportation companies, steam and electric, receive?

Mr. LOGAN. I have that data, but I did not bring it with me.

Mr. LLOYD. Roughly, have you any idea?

Mr. LOGAN. Let me get that question clearly; that is, the percentage of the total expense?

Mr. LLOYD. What percentage of the total expenditures of the Canadian postal department do the transportation companies receive?

Mr. LOGAN. I do not remember what that amounted to. I can get that and give it to you to-morrow. [Subsequently Mr. Logan stated that for the year ended March, 1912, the railway mail pay was 15 per cent of Post Office Department receipts and 22 per cent of expenditures, and adding that Canada differed from the United States in the fact that but comparatively little mail is carried by steamers or other water carriers—the Post Office Department being chiefly dependent upon the railways.]

Mr. LLOYD. Under the Canadian system do the railroad companies receive comparatively more compensation than they do under the American system?

Mr. LOGAN. Very much less. We are very much underpaid there. We consider we are underpaid at least 60 to 70 per cent there.

The CHAIRMAN. And 40 per cent in the United States, so far as your lines are concerned?

Mr. LOGAN. So far as our lines are concerned, about 40 per cent.

Mr. LLOYD. In other words, we pay 30 per cent more than they pay in Canada for carrying the mails.

Mr. LOGAN. I should judge you pay from 20 to 25 per cent more. I said it is hard to determine that definitely, because they have different bases of pay up there.

Mr. LLOYD. There are a little over 200,000 miles of railroad in the United States, and if we paid $160 a mile, the same as you receive there, for the main lines, it would amount to $34,000,000.

Mr. LOGAN. I beg your pardon. In the United States?

Mr. LLOYD. Yes.

Mr. LOGAN. That we would receive that amount?

Mr. LLOYD. Yes.

Mr. LOGAN. From 1,100 miles of line?

Mr. LLOYD. No. I said the railroads of the United States had a mileage of a little over 200,000.

Mr. LOGAN. I do not think that is a fair comparison, for the conditions are entirely different.

Mr. LLOYD. I was not aiming to make a comparison, but I was trying to get in there the statement. Suppose we paid the same rate that was paid by the Canadian Government for carrying the mail, what would we pay in the United States, and, as I understand you, without making any comparison, the railroad companies in the United States would receive for carrying the mail something like $35,000,000.

Mr. LOGAN. That is figuring on a basis of $160 a mile?

Mr. LLOYD. Yes.

Mr. LOGAN. You must take out of that $80 a mile for the branch lines.

Mr. LLOYD. I am figuring it all on $160 a mile.

Mr. LOGAN. That would not be fair.

Mr. LLOYD. It would be fair to you if we figured all lines in the United States at $160, instead of figuring branch lines at $80?

Mr. LOGAN. We do not consider it so. We consider we are not now paid the cost on our mail operation on a basis of $160 per mile.

Mr. LLOYD. You do not understand my statement. You could not complain in making the comparison, if we figure all lines in the United States at $160 a mile instead of figuring the main lines at $160 and the branch lines at $80. In other words, the amount that you would receive would be more if we figured all lines at $160 than if we figured main lines at $160 and branch lines at $80.

The CHAIRMAN. What is the total mileage in the United States?

Mr. LORENZ. About 245,000 miles, I think, but they are not all mail roads.

Mr. LLOYD. It is less than 220,000 miles. That is my recollection of it.

Mr. LORENZ. I would like to ask, in connection with the statement that you divide the expense on a train-mile basis, whether you would divide all the operating expense on that basis or only the common expenses?

Mr. LOGAN. Only the common expenses.

Mr. LORENZ. I would like to ask also whether that includes simple operating expenses or whether it includes taxes and interest charges?

Mr. LOGAN. Those are included in this statement of November, 1909, in addition to the expenses.

Mr. LORENZ. It includes the taxes and interest?

Mr. LOGAN. Yes.

Mr. LLOYD. What are the uncommon charges, then?

Mr. LOGAN. Such as would be charged direct to passenger expenses—as expenditure for advertising; for instance, salaries and wages of passenger employees.

Mr. LLOYD. Salaries of officers on passenger trains?

Mr. LOGAN. Yes; and in offices handling passenger business only.

Mr. LLOYD. You pay a salary to officers on freight trains?

Mr. LOGAN. Yes; that is charged to freight. That is easily determined. It is the common expenses that are divided only on a basis of freight and passenger train mileage.

Mr. LORENZ. Have you the figure by which you could compare the mail revenue which you receive with the operating expenses by itself; that is to say, does the mail revenue more than pay the operating expenses chargeable to the mail?

Mr. LOGAN. I think I have that here for year ending June 30, 1912; but the way this is divided, the operating expenses, taxes, etc., exceed the mail revenue; that is, the operating expenses chargeable to mail exceed the mail revenue by over 40 per cent; in other words, we are underpaid to that extent.

Mr. LORENZ. That is, operating expenses including taxes and fixed charges?

Mr. LOGAN. Yes.

Mr. LORENZ. Without the taxes and fixed charges, have you a comparison on that basis?

Mr. LOGAN. No; we included taxes and fixed charges and deducted miscellaneous rents received from outside companies that use our tracks, and so on, which I feel is very conservative, to offset other charges.

Mr. LORENZ. Have you a comparison on any other than a train-mile basis?

Mr. LOGAN. Not for the Grand Trunk Western portion of the line; no.

Mr. LORENZ. Would it be possible to use any basis which made the passenger expenses and allowances for mail expenses larger than does the train-mile basis?

Mr. LOGAN. I am not sufficiently familiar to give an opinion.

Mr. LORENZ. My impression is that train-mile basis, whether it is fair or not, gives the maximum expense which you can reasonably charge to the passenger service.

Mr. LOGAN. I think the passenger train-mile basis gets the benefit of a great deal of freight service that is not charged in on that basis; for instance, for hauling the coal, which is all done by the freight department; that coal goes on the passenger engine and is simply charged on the basis of the passenger mileage.

Mr. LORENZ. It is company freight.

Mr. LOGAN. It is company freight. I think the passenger department really gets the best end of the proposition on that basis. Therefore, I think our figures are ultraconservative.

The CHAIRMAN. In your computation presented to the committee, by which you endeavored to demonstrate you were underpaid by the United States Government for the transportation of mail 40 per cent, as I understand, you take the actual cost of operation and the per-

centage basis of interest charges, of taxes, of capital charges, the cost of your equipment, and your road and your terminals, and they all enter into that computation?

Mr. LOGAN. That all enters into the computation.

The CHAIRMAN. Now, on the actual cost itself, eliminating your capital charges, such as a prorata charge on the cost of the road and of the terminals and of the equipment, what would you show?

Mr. LOGAN. I would have to figure that out. I believe I can do that probably from this statement.

The CHAIRMAN. I wish you would, in order that we may have same to supplement other information that we have from other lines following the same method.

Mr. LOGAN. Yes, sir. That is, including only the actual operating expense, maintenance of way, maintenance of equipment, traffic expenses, transportation and general expenses.

The CHAIRMAN. Yes.

Mr. LOGAN. Eliminate taxes, bond interest, and other interest, how about hire of equipment? It seems to me that ought to go in, because we have to hire a great deal of passenger equipment. Then there are rents where we have to use property of other roads, both freight and passenger.

Mr. LLOYD. Do you pay any more on account of the fact that you carry mail?

Mr. LOGAN. No; but it is all for the benefit of the whole.

Mr. LLOYD. Do you build a railroad for the purpose of carrying mail or carrying passengers and freight?

Mr. LOGAN. For doing business of all kinds, as required by the law.

Mr. LLOYD. Under your computation, you claim you lose 30 per cent on account of mail?

Mr. LOGAN. Yes.

Mr. LLOYD. How much do you lose on account of express?

Mr. LOGAN. That I have not calculated; but I do not suppose we lose anything on account of express.

Mr. LLOYD. The passenger traffic is about even?

Mr. LOGAN. The balance of the passenger-train expense is about even to the income.

Mr. LLOYD. Then the money you make on your road is carrying freight?

Mr. LOGAN. Carrying freight; practically entirely.

The CHAIRMAN. What are your contracts for the carriage of express?

Mr. LOGAN. On a basis of 55 per cent of the revenue.

The CHAIRMAN. That is, of the express company's revenue you receive 55 per cent.

Mr. LOGAN. The gross revenue; yes.

The CHAIRMAN. And your impression is that that is self-supporting and it shows a profit.

Mr. LOGAN. It evidently shows a profit to help offset some of the other expenditures we do not show a profit on.

The CHAIRMAN. What express company have you a contract with?

Mr. LOGAN. The National Express, for part of the line and part of the line we operate with the Canadian Express Co.

Mr. LLOYD. What do you say to the proposition of the Post Office Department of counting out dead space in connection with the carrying of the mail?

Mr. LOGAN. I think that is all guesswork, very largely; it affords no basis.

Mr. LLOYD. You counted out no dead space in your calculations?

Mr. LOGAN. No, sir; not in preparing this statement. We took passenger trains as they existed and I suppose assigned to each——

Mr. LLOYD. You counted the space going and coming, incoming and outgoing?

Mr. LOGAN. Oh, yes. I beg your pardon. No. We took simply the total space for the equipment assigned to that portion of the line for the month of November, 1909, used on that line.

Mr. LLOYD. Your other statement answers the question.

Mr. LOGAN. We do not take it every trip.

Mr. LLOYD. If a mail train goes out, it has to come back?

Mr. LOGAN. Yes; it was the equipment assigned for the month of November and used on that portion of the line regardless of the mileage made.

Mr. LLOYD. You assigned certain cars to a certain road, and whether those cars were used or not you counted the space as used all the time?

Mr. LOGAN. Exactly. In that connection I might say we had one mail car standing idle all the time; that was included in the mail space, but it was there ready for the mail service, because we had to hold it to take care of the business in case of emergency.

Mr. LLOYD. Do you know whether the Post Office Department in making its calculations, on which Document 105 is based, made similar calculations to that or not?

Mr. LOGAN. I do not know what they did.

Mr. LLOYD. Then of course you do not know how much they counted out on account of unused cars.

Mr. LOGAN. I have not kept track of that.

Mr. LLOYD. Have you any idea how much of your equipment was not used from time to time, but was remaining ready for use?

Mr. LOGAN. There was one spare mail car ready for use.

Mr. LLOYD. That was not used.

Mr. LOGAN. There are only five mail cars assigned to that line. We also held out, doubtless, some passenger equipment, but the passenger equipment was filling lines more frequently. When there were delayed trains we filled in with the spare passenger equipment. This was the equipment in active service on that line and what was held in reserve for that month.

Mr. LLOYD. You count that which was held in reserve as if it was in use.

Mr. LOGAN. Yes; as if it was in use—all the passenger equipment.

Mr. LLOYD. I am talking about the mail equipment, whether it is in use or not; if it is assigned for the purpose of use, you charge up the space in making the computations.

Mr. LOGAN. We charge for the space in making the computation.

Mr. LLOYD. In making your statement to the Post Office Department, on which Document 105 is based, did you make that kind of calculation of space?

Mr. LOGAN. We simply reported what information they called for.

Mr. LLOYD. They asked for the space used. Do you consider that space used where you have a car and do not use it?

Mr. LOGAN. I do not recall how that was; that has escaped my memory. You will remember that was four or five years ago. It is my recollection, however, that that was included as being used; it was there ready to be used and if the emergency had arisen it would have been used.

Mr. LLOYD. Were those cars that were demanded for use by the Post Office Department counted, whether you used the space or not?

Mr. LOGAN. Yes.

Mr. BRADLEY. May I ask a question along the same line?

The CHAIRMAN. Certainly.

Mr. BRADLEY. Was the mail space that you reported all necessarily operated to furnish the Post Office Department what it needed?

Mr. LOGAN. It was.

Mr. BRADLEY. It was necessarily operated?

Mr. LOGAN. It was necessarily operated.

The CHAIRMAN. But, as I understand Mr. Logan, he said there was one car that was idle all of the time.

Mr. LOGAN. It may have been used on one or two trips part of the time.

The CHAIRMAN. Did the Post Office Department request you to have that car in readiness, or did you do it of your own volition in order to be prepared in case there should be an emergency?

Mr. LOGAN. It is generally under understandings with the Post Office Department that these arrangements are made.

The CHAIRMAN. Were you paid anything for the use of that car?

Mr. LOGAN. No; just for the actual cars used.

The CHAIRMAN. But this car was kept in readiness at the request of the Post Office Department?

Mr. LOGAN. Under an understanding with the Post Office Department.

Mr. LLOYD. Under a space basis, what difference did it make, in compensation, if you counted for the space actually used and the space constructively used, practically the difference of one-fifth.

Mr. LOGAN. Approximately 20 per cent, one-fifth.

Mr. MACK. You reported the reserved cars in your space to the Post Office Department for the statistics of 1909?

Mr. LOGAN. That is my recollection.

Mr. MACK. I would like to say, Mr. Chairman, that that was not done by the railroads in the country as a whole, and that is, I think, entirely an exceptional case if it was done by the Grand Trunk.

The CHAIRMAN. This is the only case that you know of in which this was done?

Mr. MACK. Yes, sir; and I am inclined to think it may not have been done in this particular case for the statistics of 1909, although Mr. Logan may have used it in these special statistics.

The CHAIRMAN. Mr. Logan, would you look into that particular point and let us know later, by letter, whether, in the information furnished the Post Office Department in answer to their questions, your computation included this item or not?

Mr. LOGAN. Yes, sir; I will.

Mr. LORENZ. How is it possible to count car foot-miles when a car is standing still?

Mr. LOGAN. This statement is not on the basis of car foot-miles.

Mr. LORENZ. Your basis is simply car feet in use?

Mr. LOGAN. Yes; cars assigned to that service.

Mr. LORENZ. Irrespective of the number of miles made?

Mr. LOGAN. That is what I said, whether it was in use or not, if it was assigned for that purpose for that line for the month named.

Mr. BRADLEY. Did you make the same deduction in regard to passenger cars held in reserve and express cars held in reserve?

Mr. LOGAN. Yes.

Mr. BRADLEY. I think that is entirely exceptional to the practice that the railroads followed.

Mr. MACK. What I wanted to get into the record was that the so-called dead space reported by the railroads, unless this is an exceptional case, does not include any reserve space whatever; it is space actually hauled.

Mr. LLOYD. That is my understanding about it and that is the reason I was pressing the inquiry.

Mr. LOGAN. It may have been that the Post Office Department took that interpretation of our report when preparing their figures.

Mr. LLOYD. I am inclined to think, like Mr. Mack, that you must be mistaken, and I think you should correct that in the record.

The CHAIRMAN. Mr. McBride, will you give the committee the information relative to the method by which the Grand Trunk furnished you the information at the request of the Post Office Department?

Mr. MCBRIDE. I have not their particular report, Mr. Chairman.

The CHAIRMAN. Your recollection?

Mr. MCBRIDE. My recollection is that they were furnished in the same way that the other railroads furnished them; that is, report of the actual movement of the trains with the equipment on those particular trains, and that there were no reserve cars reported in connection with the car space reported.

Mr. LOGAN. That may be. I would not question that.

The CHAIRMAN. That changes very materially your computation, if that is so.

Mr. ROWAN. If the Grand Trunk had reported this reserve car, would not the Post Office have thrown it out, if they could not have used it?

Mr. MCBRIDE. That is correct; we would have thrown it out.

Mr. LOGAN. Our computation is based on the basis of the equipment that is necessary to operate that service.

Mr. LLOYD. Your computation now is an entirely different computation from the computation that was made on which Document 105 is based.

Mr. LOGAN. Oh, yes; entirely different. I tried to impress that in the first place, that this was a computation made by our audit department according to their own ideas.

Mr. LLOYD. And would add about 20 per cent to the space used?

Mr. MACK. I think, Mr. Lloyd, if I may interrupt there, he followed the same rule with respect to passenger service, so that it would not be 20 per cent charged to the mail that was not proportionate also to other service. I am not saying anything about the merit of the plan.

Mr. LLOYD. That would cut out the other question. If the 20 per cent is not used, so far as the mail is concerned, what per cent was not used so far as the express was concerned?

Mr. LOGAN. I do not know that.

Mr. LLOYD. What per cent was not used so far as the passenger service was concerned?

Mr. LOGAN. I can not say that.

Mr. LLOYD. If they all had the same 20 per cent, then it would have the same effect?

Mr. MACK. I should think it would run in the same proportion.

The CHAIRMAN. I should think the percentage would be much less for express and much greater for passenger. In other words, they would have a far greater percentage of passenger cars ready to take care of overloads than express cars.

Mr. MACK. I should think it is likely with regard to passenger. I do not know about the express.

Mr. LOGAN. At that season of the year we would have probably considerable idle equipment lying around, some getting repaired and some held in reserve, but we have, judging from this statement, considered that one would offset the other.

Mr. LLOYD. What do you say as to space as a proper method of determining the pay that the railroad companies shall receive?

Mr. LOGAN. I think it would be purely arbitrary in many cases.

Mr. LLOYD. Leave out the feature that you call arbitrary. Suppose it is properly administered and there is nothing arbitrary in the administering of the law? If space was taken as a basis, would it be more equitable to the railroad companies and the Government than the present system?

Mr. LOGAN. I do not think so.

Mr. LLOYD. Why not?

Mr. LOGAN. Because it is so uncertain. You do not know what space is exactly; it is variable and more variable than the weight basis.

Mr. LLOYD. What do you mean by being variable? I do not know that I exactly understand you there.

Mr. LOGAN. The department uses part space one day and uses a great deal more the next day. They run the mails uneven on different lines.

Mr. LLOYD. If your theory of what is correct were adopted, that certain number of cars on certain lines were set apart for the use of the mails, then there would not be anything uncertain about it, would there?

Mr. LOGAN. It depends on the character of business.

Mr. LLOYD. But you get pay whether you have the service or not?

Mr. LOGAN. There is a good deal of space assigned that is not used at times, and again there is an overflow that is used in excess of the space assigned.

Mr. LLOYD. You do not exactly answer my question. Suppose you set apart the necessary cars for the carrying of the mail on the main line of the Grand Trunk and those cars are to be at the service of the Government whether they carry mail or whether they do not. It is nothing to you whether they are full or whether they are empty?

The CHAIRMAN. Provided you get the compensation?

Mr. LLOYD. Providing you get full compensation for all cars. Would not that be a most satisfactory method of the determination of pay and would it not be more equitable and certain than any other system that you know of that could be adopted?

Mr. LOGAN. So far as the Grand Trunk is concerned it probably would be as just and fair as the weight basis, but our line is different from many other lines. In my opinion there are different classes of service, you might say quality of service, there are fast mail lines, heavy tonnage lines, and light tonnage lines. We happen to be a light tonnage line providing a large space.

Mr. LLOYD. Light tonnage would take little space and heavy tonnage would take larger space?

Mr. LOGAN. No; I beg your pardon. Sometimes a light tonnage takes a great deal of space, as it does on our lines.

Mr. LLOYD. That depends on whether it is first-class mail or fourth class.

Mr. LOGAN. Whether it is mail cars, storage cars, cars especially assigned to the mail service.

Mr. LLOYD. Now, take the R. P. O service where you have full cars. In that branch of the service would not the space be the most equitable method of determination of pay?

Mr. LOGAN. It depends on the circumstances entirely. There are large cars and small cars and large weights and small weights.

Mr. LLOYD. If you were paid according to space, you would get pay for the larger car if the large car was agreed upon and pay for the small car if it was agreed upon. You would get pay for whatever space was used.

Mr. LOGAN. Yes; if it was sufficient.

Mr. LLOYD. On the theory that it is sufficient we are trying to get at what is right between the railroad companies and the Government. Do you receive proper compensation for the space that is used in full R. P. O. cars, not with reference to the size of the car? I mean in this question with reference to the size of the car, it might be a 30 foot, 40 foot, 50 foot, or a 60 foot car, but if you got pay for the full space and got pay all the time for the full space, whether used or not, would not that be the most satisfactory and reasonable method of determination of pay as a basis?

Mr. LOGAN. It might be in our individual case. I would not want to say that for the other lines.

Mr. LLOYD. Do you think it would in your individual case?

Mr. LOGAN. If we got paid what was proper. It simply comes down to a question of what is proper.

Mr. LLOYD. It would on the weight basis, too?

Mr. LOGAN. If paid properly on a weight basis we would have nothing to say.

Mr. LLOYD. Are you satisfied with the present system?

Mr. LOGAN. Of weight basis?

Mr. LLOYD. Yes.

Mr. LOGAN. So far as the mail proper is concerned we are perfectly willing to have that continued. We are perfectly satisfied with that.

Mr. LLOYD. With the present rate?

Mr. LOGAN. With the present rate.

Mr. LLOYD. Notwithstanding it is carried at a loss?

Mr. LOGAN. If we get proper compensation for car space and actual weight.

Mr. LLOYD. I mean taking the present law and the present system.

Mr. LOGAN. The present system is all right, but the present law is underpaying us.

Mr. LLOYD. Then you want the law changed to increase the pay?

Mr. LOGAN. Along the outline or the summary of the railway mail pay committee?

Mr. LLOYD. How much increase do you think you ought to have?

Mr. LOGAN. I believe 40 per cent.

Mr. LLOYD. You only speak for your own road?

Mr. LOGAN. That is all. Some of the other roads, I am satisfied, do not get 50 per cent of their expense.

Mr. LLOYD. Do you think the carrying of mail ought to be placed on exactly the same basis as carrying express, passenger, or freight?

Mr. LOGAN. I do, certainly, for the reason that when you come to determine a freight-rate question the Interstate Commerce Commission takes nothing into consideration but freight-rate factors, the same way when a passenger rate is determined. Formerly the railroads were earning enough on their freight and passenger service to be indifferent to the question of mail pay; they could carry it for little or for much.

Mr. LLOYD. And you do not think that the fact that you have a right to take a man's house or his ground or his property away from him, providing you pay him a compensation which is reasonable, is something that you ought to take into account at all in determining the pay that you receive for carrying the mails?

Mr. LOGAN. We usually have the experience of paying from 40 to 50 per cent more than the property is worth.

Mr. LLOYD. That is because of the fault of the law and not because of the law itself.

Mr. LOGAN. That is a matter of administration.

Mr. LLOYD. The fact is the same, that you can run right through a man's house, you can take his home from him, under the eminent domain proposition, and under the law all you have to do is to pay him that which is a reasonable compensation for the value of his property. Now, taking from the general public the right to a man's home——

Mr. LOGAN. That is necessary and for the benefit of the public as well as the benefit of the railroad.

Mr. LLOYD. I understand that; but you are receiving that benefit and it seems to me you ought to take into account something for having received that benefit.

Mr. LOGAN. We do.

Mr. LLOYD. But you are not disposed to pay any of it back?

Mr. LOGAN. We do. We take into account the service we render the people and the high rates of taxes we pay, etc.

Mr. LLOYD. You do not take into consideration paying the people. You say it does not enter into it and you ought not be required to do anything for the Government you would not do for me or for Senator Bourne.

Mr. LOGAN. We get that right of eminent domain from the States. We are serving the Federal Government by carrying mail.

Mr. LLOYD. You get your right of eminent domain from the State.

Mr. LOGAN. Yes, sir.

Mr. LLOYD. I appreciate that, but if you did not have the Federal Government you would not have any State government?

Mr. LOGAN. I do not know anything about that. That is another question.

Mr. LLOYD. Then, you think there is nothing in the proposition that you owe anything, as a public corporation, to the Government?

Mr. LOGAN. We pay our taxes to the States who give the right of eminent domain, and we are entitled to the same protection and some return.

Mr. LLOYD. But remember you get what you charge the people. I can not take your private property and you can not take mine, but as a railroad you can. Then you have rights as a railroad that the public does not have, and having received those rights——

Mr. LOGAN. That is the only way you can have railroads, that is to have that right of eminent domain.

Mr. LLOYD. I am discussing the question of the railroad having received these extraordinary rights whether or not the roads do not owe something to the public for having received them. You make the private individual pay you; you make the man who carries freight pay you; the man who carries express pay you. Where does the general public get any benefit, or where do you show any appreciation for that which you receive from the Government in this extraordinary power that comes to you, a right that comes to you under the eminent domain proposition that does not come to the private citizen?

Mr. LOGAN. I do not think that should enter into the question of whether the Post Office Department is paying the cost of the service or not.

Mr. LLOYD. I just wanted your view about the situation.

Mr. LOGAN. I think Uncle Sam is rich enough and big enough to pay his debts for services rendered.

Mr. LLOYD. We think the railroads are rich enough and big enough to pay their debts, on the other hand. We think the corporations of the country ought to have enough of the milk of human kindness to appreciate that which they receive from the Government.

Mr. LOGAN. I do not think there is any question about that.

Mr. LLOYD. And there is nothing, apparently, that tends more to prejudice the general public than the fact the corporations maintain a want of appreciation of that which they receive that the individual does not.

Mr. LOGAN. In answer to that I can only say that the railroads are created by the Government for the service of the public. The railroads are the public's just as much as the Post Office Department is the public's.

Mr. LLOYD. That is the misfortune in the United States to-day. The railroad companies have, to a certain extent, come to the conclusion that they are "the public" and that they have the right to control "the public," and the misfortune is they fail to catch the very thing I am trying to impress this moment, and that is that they are creatures of the public and they ought to be subservient to it.

Mr. LOGAN. The people who own the railroads are the public, and the railroads are created to serve the public. The stockholders are just as much entitled to consideration as the man who travels over the railroad—they are part of the same public. They are just as

much interested in the railroad serving the public properly as the public are in having the railroad serve them.

Mr. LLOYD. You do not understand what I am driving at—the fact that the railroad companies and the great corporations of the country do not show their appreciation to the public.

Mr. LOGAN. In what way have they not shown it?

Mr. LLOYD. In many ways. Just like this: You say that the Government in all its transportation business ought to pay you just the same as the individual; we owe no obligation to the Government that we do not owe to the individual.

Mr. LOGAN. I think there is no question but that the railroads in a great many cases serve the public and the Government without compensation in times of calamity, just as they recently did for the storm and flood sufferers in the West, where the railroads have carried trainloads of supplies and material for nothing.

Mr. LLOYD. They did that because they wanted to?

Mr. LOGAN. If that is your view, I can not question it.

The CHAIRMAN. Is there any additional payment for R. P. O. cars in Canada?

Mr. LOGAN. We have a small payment that figures out about $5,000 per year per car for the service rendered.

The CHAIRMAN. On what basis is that computation made?

Mr. LOGAN. An arbitrary basis.

The CHAIRMAN. That is, arbitrary, but assented to between the Government and the transportation companies?

Mr. LOGAN. Yes; about 25 years ago. There has been no change since then.

The CHAIRMAN. When was your basis of compensation of $160 a mile on main line and $80 a mile on branch lines put into operation?

Mr. LOGAN. In 1872.

The CHAIRMAN. And it has been in operation ever since?

Mr. LOGAN. Without change on a good portion of the line and since 1893 on the other portion of the line approximately 30 per cent of the mileage.

Mr. MCBRIDE. Is that rate the same on all railroads in Canada?

Mr. LOGAN. No; I was just speaking for the Grand Trunk. The rates are varying on the other roads.

Mr. BRADLEY. Is Mr. Logan aware as to whether that rate of $160 is based upon any commercial valuation?

Mr. LOGAN. No; it is just arbitrary—a matter of negotiations.

The CHAIRMAN. When that went into operation, was the law such that the post office department had the right to make contracts with each transportation company?

Mr. LOGAN. The post office department was authorized to make these contracts.

The CHAIRMAN. And they are still authorized?

Mr. LOGAN. Yes.

The CHAIRMAN. And no change has been made since 1873 in these contracts?

Mr. LOGAN. Not since 1873 and 1893.

The CHAIRMAN. You say 1873 and 1893. What is the difference. As I understood, this method or basis of compensation went into operation in 1873 and is still in existence. Why is 1893 brought in?

Mr. LOGAN. There were two lines in 1873—one the Great Western and the other the Grand Trunk; they were consolidated in 1888, the Great Western was receiving lower compensation than the Grand Trunk, and in 1893 that basis was equalized on the basis of $160 for the main lines and $80 for the branch lines.

The CHAIRMAN. What is the compensation for the Canadian Pacific; do you know?

Mr. LOGAN. They have varying rates.

The CHAIRMAN. There is a separate rate for each line?

Mr. LOGAN. Practically a separate rate for each line?

Mr. MCBRIDE. Is there a law in Canada requiring the railroads to carry the mail?

Mr. LOGAN. Yes.

Mr. MCBRIDE. They have to carry the mail?

Mr. LOGAN. They have to carry it.

Mr. LLOYD. What exclusive or monopolistic features are there in your contract with the Canadian Government, or do you have any? You say you get $160 a mile for carrying the mail? What kind of a contract have you?

Mr. LOGAN. We have no contract, practically.

Mr. LLOYD. You just simply carry the mail——

Mr. LOGAN. It has been going on in a perfunctory manner for a number of years without anybody paying any special attention to it until I took the matter up some years ago.

Mr. LLOYD. Do you have the same R. P. O. system as we have in the United States?

Mr. LOGAN. Yes.

Mr. LLOYD. Is that paid for extra?

Mr. LOGAN. That is paid for extra on a portion of our lines only.

Mr. LLOYD. How is that fixed?

Mr. LOGAN. We have five mail cars in special service, and we are paid $5,000 a car.

The CHAIRMAN. A year?

Mr. LOGAN. A year.

Mr. LLOYD. $5,000 a car?

Mr. LOGAN. Yes; for special mail cars running between Montreal and Toronto only. We have many others that we receive nothing for.

Mr. LLOYD. Unless you have full R. P. O. cars you do not receive any compensation?

Mr. LOGAN. We have a good many R. P. O. cars we receive no compensation for. This special arrangement applies to those special mail cars.

Mr. LLOYD. You say there is a law in Canada that requires you to carry the mail?

Mr. LOGAN. There is.

Mr. LLOYD. That is the only reason you carry it?

Mr. LOGAN. I will not say that.

Mr. LLOYD. You would not carry the mail in Canada or any other place at a great loss like this if you could avoid it. The way to avoid it would be to refuse to carry it.

Mr. LOGAN. That is true.

The CHAIRMAN. You could refuse to carry it in the United States over the 1,100 miles you operate in the United States, but still you carry it at this loss?

Mr. LOGAN. As a matter of policy we consider it best.

The CHAIRMAN. How does the service rendered the Government in Canada compare with that in the United States?

Mr. LOGAN. Taking our lines between Toronto and Montreal it is very similar to the line between Port Huron and Chicago in mileage and character of service; we perform practically the same service, having five cars assigned to that line, the same as between Port Huron and Chicago, and we receive considerably less.

The CHAIRMAN. In Canada?

Mr. LOGAN. In Canada.

The CHAIRMAN. Do you get any allowance in Canada for side service?

Mr. LOGAN. No; we have been forced to perform certain side service heretofore.

The CHAIRMAN. In Canada?

Mr. LOGAN. In Canada.

The CHAIRMAN. How does that correspond with your experience here in the United States?

Mr. LOGAN. It has been more onerous. That is being readjusted from the first of next month, they are taking over the side service May 1.

The CHAIRMAN. That is, the Canadian Government?

Mr. LOGAN. Yes; the Post Office Department.

The CHAIRMAN. They are on the first of next month. Do they expect to allow you compensation for side service performed in Canada, or will they relieve you entirely of the side service and the Government perform it?

Mr. LOGAN. We are to be relieved of all side service.

The CHAIRMAN. And the Government will perform that?

Mr. LOGAN. Yes.

The CHAIRMAN. What do you figure the cost to you in Canada for the performance of the side service for which you receive no compensation?

Mr. LOGAN. It has been approximately $40,000 a year.

The CHAIRMAN. What, in your judgment, will it cost the Government to perform that service itself?

Mr. LOGAN. I could not say.

The CHAIRMAN. Do you think the Government could perform it as cheaply as you could?

Mr. LOGAN. I think they should.

The CHAIRMAN. How will they perform it?

Mr. LOGAN. They will likely perform it through the same subcontractors that we have been performing it through.

The CHAIRMAN. You have not done it directly, but by subcontracts?

Mr. LOGAN. Yes; and I might add at only a limited number of our stations; possibly a third of our stations.

Mr. MCBRIDE. Has there been any distance limit at these different stations in Candaa?

Mr. LOGAN. No.

Mr. MCBRIDE. Do you perform it at all stations?

Mr. LOGAN. No; about a third or less of the stations.

Mr. MCBRIDE. What is the distance?

Mr. LOGAN. Some of those distances run from a few hundred feet up to 3 or 4 miles.

Mr. MCBRIDE. When does the Government take it over under the present conditions?

Mr. LOGAN. The 1st of May.

Mr. MCBRIDE. I mean, when did the Government take over the performance of the side service under the present conditions? You say it is only performed at one-third of the stations. At the other stations has the Government performed it?

Mr. LOGAN. They have always performed it.

Mr. MCBRIDE. What decided who would perform it?

Mr. LOGAN. It was under an old contract with the Grand Trunk, the old original main-line stations had this service included when the $160 rate was fixed.

The CHAIRMAN. That covered the side service?

Mr. LOGAN. That covered the side service.

Mr. BRADLEY. My impression is, Mr. Logan, that the Grand Trunk is the only railroad in Canada that performs side service for the Government.

Mr. LOGAN. Yes; it was the only road at the time the contract was made.

Mr. BRADLEY. And the Government performs side service on every other railroad in Canada except the Grand Trunk.

Mr. ROWAN. And that exists to-day, so far as you know?

Mr. LOGAN. Yes.

Mr. LLOYD. The computation that you made in this matter is all over your system, both in Canada and the United States.

Mr. LOGAN. This statement for 1909?

Mr. LLOYD. Yes.

Mr. LOGAN. No; this statement is only between Port Huron and Chicago. Our Grand Trunk Western is 336 miles.

Mr. MCBRIDE. That does not include your routes in New York State? Haven't you a few small routes in New York State that are not included?

Mr. LOGAN. Those are not included; no.

Mr. BRADLEY. My understanding was that Mr. Logan said his original presentation covered about 1,100 miles?

Mr. LOGAN. No; I said our mileage in the United States was between 1,000 and 1,100 miles.

The CHAIRMAN. Does not the computation that you have presented to the committee cover the whole of the 1,100 miles?

Mr. LOGAN. No. Only between Port Huron and Chicago. That is, as I have said, our heaviest and most easily calculated mail-carrying line.

The CHAIRMAN. And on that you estimate that you are receiving 30 per cent less compensation than what you should receive?

Mr. LOGAN. Approximately; what our audit department figured out as the approximate cost in 1909.

The CHAIRMAN. But the approximate cost takes in dividends, interest, and capital as well as operating expenses and all?

Mr. LOGAN. No dividends. It did not pay any dividends, but it includes bond interest and taxes.

The CHAIRMAN. And cost of terminals, cost of equipment, cost of road, and everything?

Mr. LOGAN. All costs.

Mr. LLOYD. Can you answer the question as to whether you receive any better compensation on the other lines than you do on the main lines?

Mr. LOGAN. On the Grand Trunk Western?

Mr. LLOYD. Yes.

Mr. LOGAN. It is approximately the same, based on the service performed.

Mr. LLOYD. What do you say to this general proposition, from your experience, that the main trunk lines receive better compensation under the existing law than the branch lines and the short lines?

Mr. LOGAN. I do not know whether they do or not. I should think itwould be fairer to pay them on that basis—on the present weight basis for the mails proper.

Mr. LLOYD. And you think that the present weight basis would be equitable as between the main trunk lines and the branch lines and the short lines?

Mr. LOGAN. As to the Grand Trunk lines I would say yes, so far as it applies to the mail, but there should be a readjustment on account of the parcel-post business.

Mr. LLOYD. I was only speaking of the mail. What kind of readjustment should we make on the parcel post?

Mr. LOGAN. I feel that the parcel-post business is practically a new business; it is handling merchandise at a higher maximum weight per pound than heretofore and that the determination of the payment for that service should be on the weight plus the space basis, neither the weight basis nor the space basis only being absolutely a fair measurement.

Mr. LLOYD. You do not think you should receive as much per pound for carrying merchandise as you would for carrying letters?

Mr. LOGAN. No; I do not think that is fair, but the weight basis plus the space basis is the basis that has practically determined the rates made by the express companies and it is in effect with the steamship companies to-day and it is not therefore a new principle.

Mr. LLOYD. It is getting to be a very important phase of it. There are two lines of thought with reference to the basis; one that it should be purely a weight basis and the other that it should be purely a space basis. The present law is about 90 per cent weight and 10 per cent space. Now, isn't it probable that a scheme could be worked out which would be more nearly equitable both to the Government and to the railroad companies that would more nearly equalize the two?

Mr. LOGAN. I feel, so far as the parcels-post business is concerned, that that is possible.

Mr. LLOYD. Do you think it is practicable to separate the parcel-post business from the mail and make a different compensation for carrying merchandise than for what you do for carrying the mail?

Mr. LOGAN. I should think you could. You have your separation now and your accounting—the different stamps. The parcel-post matter is all carried under parcel-post stamps, as I understand.

Mr. LLOYD. Yes.

Mr. LOGAN. And the theory that we are negotiating with the Canadian Government on and the theory that has obtained and is in practice in England has been to divide that revenue, or practically a division of the rate.

Mr. LLOYD. Do you think it would be fair to the railroad companies to divide the compensation that the Government receives by 2—50 per cent to the railroad companies and 50 per cent to the Government?

Mr. LOGAN. That might be considered fair for a joint service. I will not say that for the United States lines, but we would be willing to accept that division in Canada, although we will probably haul longer distances there than we do now.

Mr. LLOYD. Would it not be equitable in the United States?

Mr. LOGAN. I will let the United States lines speak for themselves in that respect.

Mr. LLOYD. I am speaking of your line. Why would it not be all right with you?

Mr. LOGAN. Of course we prefer to have it on a basis of 60 per cent, if there is any possibility of getting it there.

Mr. LLOYD. Seventy-five per cent would be better still.

Mr. LOGAN. We feel we would be safer, but a fair division can be found.

Mr. LLOYD. When you come down to the truth of it, we all want to get at the right thing. You want pay for carrying the mail, and so far as this commission is concerned we can speak for it; it wants you to have pay for carrying the mail. We want, if possible, to get an equitable basis that is fair to you and to the Government and try to get the thing into as simple a shape as we can, so that we can adjust the matter and have it permanently adjusted.

Mr. LOGAN. I feel this way, if you will allow me to answer it in my own way: As I stated before, I think the railroads presented a fair basis for compensation for the mail service, but I do not think they have gone far enough; that with the introduction of the parcel-post business there is a new departure, and while you may continue the weight basis plus a space basis, as it is to-day; the parcel post ought to be treated as a parcel post business, separate and distinct, and a basis of division of the rate used—a percentage basis—similar to that in England, a percentage to be determined by competent authorities.

The CHAIRMAN. Let me ask you in that connection do you think the English method of compensation for carriage of the mail, including the parcel post, is entirely satisfactory to the Government, and the transportation companies as well, in England?

Mr. LOGAN. I believe that the Government has been complaining that the percentage is too high.

The CHAIRMAN. That is on parcel post, but take the whole compensation and figuring the parcel post as mail, do you think the present method is satisfactory as it exists in England?

Mr. LOGAN. Conditions are entirely different there from what they are here. I do not know whether they are satisfactory to the English people or not.

The CHAIRMAN. Are they satisfactory to the transportation companies in England?

Mr. LOGAN. I do not know.

The CHAIRMAN. You say conditions are different. As a matter of fact, in England, according to Mr. Bradley's statement, the trans-

portation companies receive 21½ per cent, including parcel post, of all the expenses of the postal department.

Mr. LOGAN. Was that railroad transportation companies or railroad and steamship transportation companies also?

Mr. BRADLEY. Railroad transportation.

Mr. LOGAN. There is a great deal of mail carried in England by steamships around the coast—a great deal of it.

The CHAIRMAN. Let us take the railway transportation and the R. P. O. service in the United States, and for the sake of comparison, to get the relativeness, give the two figures. In England it is 21½ per cent that the railroad transportation companies receive for the carriage of mail. In the United States, according to the Postmaster General's report for the fiscal year ending June 30, 1912, if you take the transportation of mails on the railroads for that year and the railway post office car service for that year and add them together, and you take the expenditures on account of that year in the postal department, the transportation companies receive 19.475 per cent in the United States. If you take the figures of the Post Office Department and add the actual expenses for that year, including the amounts expended on account of the previous fiscal year, and add them together, then the transportation companies of this country, the railway, and the R. P. O. service receive 20.7 per cent of the total expenditures of the Post Office Department. Now, where is there a distinction in operation in the United States in railway transportation of mails and in Great Britain?

Mr. LOGAN. I understand a big percentage of the postal service in Great Britain is handled by steamship transportation companies. That ought to be taken into that calculation.

The CHAIRMAN. We are simply taking the two calculations of service in the two countries.

Mr. LOGAN. The mileage is different. In the first place, the amount of service performed in the United States is far in excess, proportionately.

The CHAIRMAN. Where is the difference?

Mr. LOGAN. That would have to be figured out by experts.

The CHAIRMAN. I would like to ask Mr. Bradley in that connection a question. I was very much impressed with that portion of your statement in volume 2 of the hearings on page 440, in the paragraph reading as follows:

> In Great Britain it is observed that the Government pays the railroads for transporting the mails, including the parcel post, an amount equal to 21½ per cent of the total expenditures, although the service rendered in Great Britain by the railroads is obviously much less extensive and not nearly so essential as the similar service is in the United States.

Would you elucidate a little the difference in the two services and why the relativeness can not be taken in percentage of the compensation to the total cost of operation of the service in the two countries?

Mr. BRADLEY. It is difficult to get data sufficiently trustworthy to make a serviceable comparison between the railway mail service performed in England and the railway mail service performed in the United States, but in this country the Post Office Department has stated the average haul of mail to be 620 miles. I do not think the figure as to the average haul in Great Britain is known, and we would have to guess at it—possibly 100 miles or less. I think it could also

be said that the railroads are not so essential to the postal service in Great Britain, because they could perform much of their service by motor vans on account of the shorter distances and because of their better roads.

Mr. LOGAN. And by steamship and coasting lines.

Mr. BRADLEY. We have no trustworthy figures as to the comparative tonnage.

The CHAIRMAN. Why would this make a difference? I want to get it as a matter of information, and my questions are not based on criticisms of your statement. Your statement impressed me very strongly as something definite for a comparison and I wanted to get from you gentlemen who are experts and specialists on this particular subject the reason why these comparisons could not be used to advantage by the committee.

Mr. BRADLEY. I think it would be a very good comparison if we could get the English data as to average haul and the progress that is being made in replacing the railroad mail service by motor van service. I do not know of any source from which that information could be obtained, but I think the general statement could be made and accepted that in the United States the haul is several times as great as in Great Britain; the tonnage is greater, and the necessity of the railway service is greater to the Post Office Department.

The CHAIRMAN. What difference would it make whether your computations were based on 5,000,000,000 pieces of mail or on 100,000 tons or 200,000 tons? Five billion pieces of mail or 10,000,000,000 pieces of mail?

Mr. BRADLEY. Would not that measure the value of the service performed? There ought to be a greater reward for moving 2 tons 100 miles than 1 ton.

The CHAIRMAN. You would get your greater reward and your percentage of cost would be the same. The point that impressed my mind is, or the point on which I want to get more information, is why it is not safe to take 21½ per cent as the revenue to the railroads in England to the total expenses to the postal service and take 21½ per cent as a figure, for instance, as to what the railroads should receive in this country of the total expense of operation of the postal service. The services are the same, they have to have clerks, they have to have mail carriers, they have to have different facilities, have mail transportation and mail service in both countries, only one is much larger territory than the other, and it means simply so many more units added to perform the activity and each unit gets a proportional cost. As I understand the compensation in England is less than the compensation to the postal employees in the United States, but I wanted to see from you gentlemen how far we could, to advantage, utilize this information which you submitted in your report from which I have just quoted. How does that impress you, Mr. Lorenz?

Mr. LORENZ. I think that some differences that have been mentioned are very pertinent; for instance, the difference in the length of haul would be one factor to consider.

The CHAIRMAN. Do you think that is vital?

Mr. LORENZ. That is vital.

The CHAIRMAN. So that the mere statement of percentages of receipts and cost of operation can not be used without further information?

Mr. LORENZ. Not conclusively. I have also been impressed by the statement that a large proportion of the mails are carried by steamship, so that your postal receipts would include that part of the mail carried on steamships, but the payment to the railroads would not. In other words, you have to include your payments to the steamships and railroads to make the comparison fair.

Mr. LOGAN. Take all of the transportation companies in Great Britain and in the United States and then that would be fair?

The CHAIRMAN. Do you think that would be fair?

Mr. LOGAN. That would be fairer.

The CHAIRMAN. How does that impress you, Mr. Lorenz?

Mr. LORENZ. That would eliminate that difficulty.

The CHAIRMAN. Do you think that would be a fairer comparison?

Mr. LORENZ. I should think the average length of haul should be considered also.

Mr. LLOYD. What do you think of the theory of the New York, New Haven & Hartford road to the effect that the short distances which they haul their mail is accountable for the fact, in part, that they do not receive compensation they ought to receive compared to other roads?

Mr. LORENZ. I think it is an important factor and probably the comparison between England the United States should not be made as a whole, but of the New England group of roads that might be fair.

Mr. LOGAN. Or with the eastern roads where you have a dense population?

Mr. LLOYD. The theory of the New York, New Haven & Hartford road was that because of their terminal facilities that must be provided and terminal equipment, that the expenses of their road, comparatively, were much greater than in a country that is less densely populated and where there is not so much required to be expended for terminal charges. In other words, the New York, New Haven & Hartford is a complex system of short roads and each short road has its costly terminals, which add very much to the charge per mile and the expense per mile for operating the road.

Mr. LOGAN. It is fair to take that into consideration. In connection with the English question, I might throw a little light on that by a memorandum I have prepared. This is on the result of an arbitration between the post office department and the Great Western of England, made about 1906, I think, which determined the present basis of pay to that road by the English post office department. Without taking into consideration their differences in pay (for instance, their enginemen will receive 60 per cent of what our enginemen will receive), without taking those factors into consideration, but taking the factor that their mail car weighs about 20 tons, compared to over 40 tons for our average mail car, I figured out that the Grand Trunk should receive per mail car mile 27 cents, based on that decision. Their payment, in other words, approximated between 13 and 14 cents per mail car mile for the service rendered on a given district, which was stated in the decision. I multiplied that by two because of the double capacity of our mail car. That was

based on the mail carried. To that should be added the revenue received from 55 per cent of the parcel-post revenues, whatever that was determined at. Some of that parcel post, as you may be aware, is practically handled on fast freight trains.

The CHAIRMAN. In Great Britain?

Mr. LOGAN. In Great Britain. Here it is proposed to handle it all on fast passenger trains.

Mr. LLOYD. Do you think it is practicable to provide for the carriage of parcel post mail by fast freight instead of fast passenger, just like the English do?

Mr. LOGAN. With the prospective growth——

Mr. LLOYD. Where it may be carried in carload lots. Let me put it that way?

Mr. LOGAN. I would hardly like to venture an opinion on that.

Mr. LLOYD. Could you carry it from New York to Chicago, or Indianapolis, Cincinnati, or St. Louis in carload lots by fast freight?

Mr. LOGAN. I doubt if it would compete with the express business.

Mr. LLOYD. You think it would be a factor which would prevent its competition with the express business?

Mr. LOGAN. I do.

Mr. LLOYD. How much difference would there be in time of delivery, between sending by freight, for example, from New York to Chicago, than by sending by passenger trains?

Mr. LOGAN. I do not know; I could not say. In partial answer to your previous question relative to the handling by special freight trains you may say if the parcel-post business increased during the next five years as it has apparently increased during the past three months, from reports published, and which I roughly estimate at the rate of 10,000,000 parcels a month, at the end of this year the approximate amount of business handled will be close on to a billion parcels.

The CHAIRMAN. Do you mean a billion parcels or a billion pieces of fourth-class mail matter?

Mr. LOGAN. Whatever you may term it, a billion pieces of mail matter handled under parcel-post stamps.

The CHAIRMAN. It is fourth-class mail matter. We had 273,000,000 pieces, as I remember, before we had what is known as the parcel-post law, so that it is simply the increase of that number that would be due to the increased provisions of the fourth-class mail matter?

Mr. LOGAN. Whatever it is, it is an unknown quantity that we are all up against, and with the growth of that during the next five years at anything near the rate that the same business is growing in Canada on a 5-pound basis, which is at the rate of 30 per cent per annum, we would soon realize that it is a great big undertaking to handle all the business on the passenger or mail trains in the United States within the next four or five years, and it is bound to result in converting a good many of your present mail trains into mixed trains of passenger and parcels. In other words, there will be much delay at stations, and I believe that is the experience of some of the trains now.

The CHAIRMAN. In Canada?

Mr. LOGAN. No; in the United States. The result of delay to trains will result in delays to the mails proper. I understand from inquiries that the railways and express companies report approximately increases and decreases respectively, from 25 to 30 per

cent in the handling of parcel post—that is, the express companies report losses in 11-pound parcels and under of between 28 and 30 per cent.

The CHAIRMAN. Of their business?

Mr. LLOYD. Of their business of 11 pounds and less.

The CHAIRMAN. According to last year's statement, they had 90,000,000 pieces of 11 pounds and less. How are you going to account for the increase of 750,000,000 pieces in fourth-class mail matter because of what is known as the parcel post?

Mr. LOGAN. Cut that estimate in two.

The CHAIRMAN. What is the use of cutting it? You can take any law of theoretical figures you want to to make figures on.

Mr. LOGAN. Yes.

Mr. LLOYD. Then you have four times as much as the whole express?

Mr. LOGAN. I am taking just what was published in the press as the increase during the last three months, the increase of 30,000,000 pieces of parcel post.

The CHAIRMAN. They are not parcel post. It is impossible to make a determination as to parcel post out of fourth-class mail matter. The only information that is obtained has been by actual count and weighing fourth-class mail matter, which prior to the operation of what is known as the parcel-post law in January there were 273,000,000 pieces, as I remember, of fourth-class mail matter handled.

Mr. LOGAN. Whatever the figure is it is going to be a very large increase in the matter that is handled under parcel-post stamp. The railroads should be compensated for that additional service which they are called upon to perform and which we understand to be the most valuable portion of the service, as the railroads furnish the most valuable equipment, and perform a great portion of the service similar to the express service; and we feel we should be compensated for that on some different basis than either the weight basis or the space basis alone.

Mr. LLOYD. If you were paid for the weight you could not complain, could you?

Mr. LOGAN. Yes.

Mr. LLOYD. Why?

Mr. LOGAN. Because it is not fair to have a 5-pound piece of silver, a 5-pound package of soap, or a 5-pound package of feathers, or a 5-pound piece of millinery sent over your line at the same charge. They are all in different sizes. As an illustration, I have been referred to a case where one of the big 5-ton trucks carrying express matter was loaded up to the limit with millinery out of a millinery house; when it was put on the scale it weighed just 500 pounds. If they were required to carry that all on a weight basis it would be unreasonable. They carry such parcels up to a certain weight, and all in excess of that is on a space basis or the cubic contents.

Mr. LLOYD. Is it true you think there has been a greater per cent increase in the carriage of goods by mail than any other class?

Mr. LOGAN. I can not say that; I do not know.

Mr. LLOYD. I heard that suggested. I do not know whether there is any foundation for it or not, that nearly all the women in the smaller towns now are getting their hats from the cities?

Mr. MACK. I think the United Cigar Co. is supplying the West with hats, from the looks of the business passing through St. Louis.

The CHAIRMAN. If you had compensation, Mr. Logan, for your R. P. O. and apartment cars and then compensation for the weight of your mail, your difficulty would be obviated, would it not? You would get the weight compensation and would have additional space, abnormal amount of space paid for in extra compensation for the R. P. O., provided the same compensation applied to apartment cars, as it were?

Mr. LOGAN. Our experience is that we do not get paid for the space furnished.

The CHAIRMAN. I understand that is the claim of all the railroads.

Mr. LOGAN. That is an arbitrary rule?

The CHAIRMAN. That does not answer the question. If you did get paid for the space furnished in the apartment cars, as well as the R. P. O., you would get paid for the R. P. O. space, would you not?

Mr. LOGAN. Some of it, but not all of it.

The CHAIRMAN. Why not all of it?

Mr. LOGAN. For instance, on one line we furnish 55-foot cars and get a 40-foot allowance.

The CHAIRMAN. Because you have not got a 40-foot car to meet the authorization of the department. Is that it?

Mr. LOGAN. Well, we have had some put in and some complaint about it, and we put back the 55-foot space. That is my understanding of it. The report came to me.

The CHAIRMAN. If the assumption is that 10 feet of space is not to be used in a car—in other words, if there is a 40-foot requirement in a car and there should be 10 feet additional space—your compensation in effect covers the whole 50 feet, although it nominally covers only 40, there is no criticism on the part of the transportation company, is there?

Mr. LOGAN. I would not like to answer that.

The CHAIRMAN. There should not be? It would be simply a matter of application of figures.

Mr. LOGAN. On some roads that would probably be fair, but on other roads where they are carrying heavy tonnage it should be taken into consideration as well. It is the service performed.

Mr. LLOYD. Tonnage does not make any difference to the railroads, whether it is 1 ton in a mail car or 2 tons in a mail car.

Mr. LOGAN. It makes a difference if there are 2 tons or 20 tons?

Mr. LLOYD. If there were 2 tons and 20 tons there would be a difference, because if there were 20 tons you would have to have three or four cars; but it makes no difference to you, as a railway proposition, so far as the transportation of the train is concerned, whether there is 1 ton of mail or 2 tons of mail. The weight is in the car itself and not in the contents of the car.

Mr. LOGAN. The value is in the service performed?

Mr. LLOYD. Yes; and not in the weight.

Mr. LOGAN. Weight is a factor the same as in freight, express, or anything else.

Mr. LLOYD. It would cost you just as much—not actually, but theoretically—to transfer an empty passenger as it does a passenger car reasonably well filled, does it not?

Mr. LOGAN. I would not say that; no. It costs more in coal. The more weight you haul the more coal you burn and the more wear and tear.

Mr. LLOYD. Slightly so.

Mr. LOGAN. Taking it for the year around, it adds up.

The CHAIRMAN. What percentage of the mail handled by the Grand Trunk in the United States goes in the R. P. O. cars?

Mr. LOGAN. I judge 90 per cent of it.

The CHAIRMAN. Ninety per cent of it is in the R. P. O.?

Mr. LOGAN. That is, what I meant by that is full mail and apartment cars.

The CHAIRMAN. What per cent goes in the full mail? You say you receive no compensation extra for the apartment car?

Mr. LOGAN. No.

The CHAIRMAN. What per cent goes in the R. P. O. car proper, for which you receive extra compensation?

Mr. LOGAN. I have not determined that. I could not say. I have not separated them.

The CHAIRMAN. Do you think if you got compensation for the apartment-car service furnished that that would very materially decrease what you think is an apparent loss of $93,000 to your company, according to your computation that you have presented?

Mr. LOGAN. It would help to a certain extent.

The CHAIRMAN. What amount?

Mr. LOGAN. I do not know. I would have to figure that out.

The CHAIRMAN. Would the relief from the side service decrease your apparent loss of $93,000?

Mr. LOGAN. It would.

The CHAIRMAN. To the extent of $40,000 a year?

Mr. LOGAN. That is in Canada only. In the United States that does not amount to 10 per cent.

The CHAIRMAN. Ten per cent in the United States?

Mr. LOGAN. I do not suppose it would amount to more than $3,000 or $4,000 in the United States.

The CHAIRMAN. Is it your opinion if you were relieved of the side service, received compensation for the apartment cars on the same basis that you get for the R. P. O. car, and had an annual weighing of the mail, under the present method, at least under the present law, by weight, that that would give you a fair return on the service rendered?

Mr. LOGAN. I think it would give us approximately a fair return of what we have heretofore expended for mail service, but I do not think it would compensate us for the increased load we are now carrying and which we are likely to carry in the future for the parcel post.

The CHAIRMAN. Why does not the compensation for space in addition to the compensation for weight cover that point?

Mr. LOGAN. Because a great deal of that will have to be carried in baggage cars separate from your mail cars as it grows.

The CHAIRMAN. Then that would be a separate car—extra compensation for use of storage car?

Mr. LOGAN. That is right. That also would have to be taken care of.

The CHAIRMAN. Do you consider the Grand Trunk as typical of the railroads here in the United States? In other words, the experience that you have on the Grand Trunk, would that be a good indication of the general lines of railroad in the United States?

Mr. LOGAN. No; I would not. I would consider it typical of only a small portion of the lines; not the short lines but the intermediate lines, because our lines in the United States are more or less short main lines and branches; that is, lines running for three or four hundred miles. Our longest main line in the United States is 336 miles.

The CHAIRMAN. Would you consider the Grand Trunk and the New Haven as analogous at all?

Mr. LOGAN. No; I would not; they are not analogous, because the lines in Massachusetts and Connecticut are in densely settled country, and they have a great many expensive terminals, while we extend through a thinly settled country, comparatively, and with comparatively few expensive terminals.

The CHAIRMAN. That is the Grand Trunk system in the United States?

Mr. LOGAN. Yes; that is as compared to the New Haven.

Senator WEEKS. How much difference do you think it would make to the corporation in the cost of the service under such conditions as obtain in the New Haven territory and those which obtain in the Grand Trunk territory of the United States?

Mr. LOGAN. I am not able to judge that.

Senator WEEKS. Have you any idea?

Mr. LOGAN. I haven't any idea.

Senator WEEKS. You could not guess at it?

Mr. LOGAN. It would be purely a guess.

Senator WEEKS. What sort of a guess would you make?

Mr. LOGAN. I would not like to venture.

Senator WEEKS. Do you think anybody knows?

Mr. LOGAN. No; it is pretty hard to figure that out. The conditions are so different. The conditions vary with different years.

Senator WEEKS. Suppose somebody was trying to make a fair and just rate to everybody concerned, would you not have to arrive at some conclusion on that point?

Mr. LOGAN. They would have to find approximately what would be fair to both.

Senator WEEKS. But how would they go about it?

Mr. LOGAN. Like the Interstate Commerce Commission are going about the matter of finding the relative rates between passenger and freight service, by hearings, investigations, and adjustments that extend over a period of years.

Senator WEEKS. Would you think the Interstate Commerce Commission the fittest organization for determining that; I mean that is in existence now?

Mr. LOGAN. They might have the most experience. I do not know whether they would be the most competent to judge or not.

The CHAIRMAN. When do you think they would be able to get an ascertainment upon which they could make such a determination?

Mr. LOGAN. I have not the least idea. It depends on the staff they would have and what they would inquire into.

The CHAIRMAN. Then do you think the matter of adjustment of railway mail pay should be left in abeyance until the ascertainment is made?

Mr. LOGAN. No; I do not think so. I think I expressed an answer to that when I said we were receiving back about 60 per cent of our estimated cost in the United States.

The CHAIRMAN. What subsidy do you receive in Canada?

Mr. LOGAN. None.

The CHAIRMAN. None whatever?

Mr. LOGAN. At the present time?

The CHAIRMAN. Yes.

Mr. LOGAN. For carrying the mail?

The CHAIRMAN. Or for any purpose?

Mr. LOGAN. No; not that I know of.

The CHAIRMAN. Did you have a land grant from Canada?

Mr. LOGAN. No.

The CHAIRMAN. Have you ever received any assistance from the Canadian Government?

Mr. LOGAN. Received assistance in many cases to the extent, according to my recollection, of $3,200 a mile.

The CHAIRMAN. What proportion of the cost was that?

Mr. LOGAN. That is hard for me to say.

The CHAIRMAN. Was that intended as a partial offset to the loss you are making in carrying the mail?

Mr. LOGAN. No; the mail did not enter into consideration at all; it was simply to get capital to build the lines.

The CHAIRMAN. Is not the railroad receiving any benefit, anything for carrying the mail at one-third of the cost to the corporation?

Mr. LOGAN. None whatever. We figure that, roughly speaking, on the losses made for the carriage of the mail in the past they far more than offset any subsidy that we have received. One of these subsidies was in the nature of a loan of $15,000,000, which has never been repaid.

The CHAIRMAN. How is the compensation which you shall receive for carrying the mail determined?

Mr. LOGAN. It is simply a matter of negotiation.

The CHAIRMAN. Between whom?

Mr. LOGAN. The Post Office Department and the railroads individually.

The CHAIRMAN. What you would receive has nothing to do with what the Canadian Pacific or some other railroad was receiving?

Mr. LOGAN. No. As I have stated before, the Post Office now is studying a scheme to put into effect that will put the railroads relatively on an equal basis.

The CHAIRMAN. Can they be put on an equal basis?

Mr. LOGAN. That remains to be developed.

The CHAIRMAN. Do you think they can be?

Mr. LOGAN. I think approximately; yes.

The CHAIRMAN. You just testified conditions vary from year to year and in different territories?

Mr. LOGAN. We asked to have its inequalities adjusted between the territories and also to have them adjusted every five years, or for limited period.

The CHAIRMAN. What reason is assigned for making an arrangement with the Government for carrying the mail for one-third of the cost of the service?

Mr. LOGAN. I do not know; it has been a matter of growth.

The CHAIRMAN. Of course, you have to increase your other charges to make up that difference?

Mr. LOGAN. That is true.

The CHAIRMAN. And you are furnishing a subsidy for the Government by so doing?

Mr. LOGAN. I think this is equally true here in the United States where, under this parcel-post system, a new method of discrimination has been created, whereby the mail-order houses and the departmental stores now can compete to their special advantage against the trader who ships his goods by freight and has his traveling men on the road, and the railway as the medium of service has to make up any difference on account of the loss that may result because of cheap mail service. The railways are forced to assist in this discrimination.

The CHAIRMAN. We are just going on to try to adjust it, but you have been going on year after year in Canada.

Mr. LOGAN. But we hope to have a better adjustment in the future.

The CHAIRMAN. Have the Canadian railroads so kept their accounts that they could demonstrate, to their own satisfaction at least, whether they were receiving fair compensation in Canada for the handling of the mail or not?

Mr. LOGAN. That is, the post office department?

The CHAIRMAN. I say, the railroads themselves; the transportation companies of Canada.

Mr. LOGAN. We have made statements that I think have been accepted as reasonable and fair by the Post Office Department, to show that we are being underpaid.

The CHAIRMAN. Submitted when?

Mr. LOGAN. At least three of four years ago.

The CHAIRMAN. And since 1873 down to 1910, for a period of 37 years, the railroads of Canada were not cognizant of whether they were underpaid or overpaid or equitably paid at all. In other words, their method of accounting made no segregation as to the mail compensation or cost, did they?

Mr. LOGAN. No, not until the new statistical reports were made. Then it developed that there were differences that should have been adjusted previously. There is one more point, if I might be permitted to bring it out, when making comparisons with the English pay, we do not want to forget the fact that the English Government also pays for the transportation of mail sorters, as they term them, in the mail cars, and we have the same question up with the Canadian Government, and we consider that when the Government of Canada, as well as the Government of the United States in many cases, pays for the transportation of their mail distributors in some sections and on certain classes of transportation, they ought to pay them on all classes of transportation and not discriminate in cases of the men traveling by steam railroad. As I understand, in a number of cities the mail carriers pay street car fare on electric lines—as an instance I am informed this is the rule here in Washington—and in Canada the Government makes a direct bonus payment to the electric railway of

a city of the size of Montreal, Toronto, Hamilton, and so on, and paying them a certain amount per annum for the transportation of their mail carriers. There is no difference between an employee of the mail service riding upon a railroad train and riding upon an electric car, and as it appeals to our sense of justice it seems to me that we ought to be paid a fair compensation. In England it is the lowest commutation rate over the road over which the service is performed.

The CHAIRMAN. Every individual postal employee who travels on the railroad pays, either himself or the government for him, for that transportation to the transportation company?

Mr. LOGAN. That is not my understanding.

The CHAIRMAN. Does not the R. P. O. car cover the compensation for the passenger transportation of the employees in the car?

Mr. LOGAN. We have never so understood it. I do not think it is covered by the law, nor are the men weighed when the mails are weighed.

The CHAIRMAN. If you have not so understood it, why have you not made a claim for payment at the transportation rates?

Mr. LOGAN. It has simply gone by default.

The CHAIRMAN. What difference would it make if you received compensation for R. P. O. cars, if there were 2 tons of mail in that car and six mail clerks or 4 tons of mail and two clerks?

Mr. LOGAN. The principal difference we find is that when that car gets into a collision we have to pay these men as much, and sometimes more, than we do other people who are injured. We have to assume the risk of carrying the men.

The CHAIRMAN. You assume no such risk in carrying the expressmen?

Mr. LOGAN. No; the companies assume that themselves, and in England that is taken care of by the post-office department assuming the risk against claims of that kind.[1]

The CHAIRMAN. Insuring the railroad companies?

Mr. LOGAN. Insuring the employees. They assume the risk.

The CHAIRMAN. Then, if a postal employee in England is injured he looks to the Government or the insurance established by the Government and his own claim against the transportation company?[1]

Mr. LOGAN. That is my understanding,[1] and in addition they pay the fare on the lowest commutation rate. The mail clerks in the United States are treated under the law in every respect the same as a passenger, except they do not pay a fare. Yet we can not take them as trespassers because they are there by authority.

The CHAIRMAN. Do you consider mail transportation as analogous to passenger and express transportation, or are there differences, to your mind, and is the railroad entitled to different compensation; if so, what are the differences between the three classes of transportation?

Mr. LOGAN. There are great differences between all three classes which make them hard to compare.

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[1] With reference to Mr. Logan's statement that the British Post Office Department assumed all risks of accident to mail "sorters," he subsequently stated in a letter dated April 24 to the chairman that the risk was divided, the post-office department assuming one-half after their consent to settlement had been obtained.

The CHAIRMAN. Suppose you had the right to determine the compensation received from the three classes of service generally—passenger service, express service, and mail service. What conditions would you make and which would you give the greater compensation to?

Mr. LOGAN. It seems to me they ought, as a matter of right, to practically earn an equal revenue per car.

The CHAIRMAN. And in your mind they are equivalent?

Mr. LOGAN. So far as their earning basis is concerned; yes.

The CHAIRMAN. Is the express basis equivalent, relatively?

Mr. LOGAN. There are differences there. But so far as mail carrying on the train is concerned the expense is practically equivalent, except in the case of emergencies arising.

The CHAIRMAN. And the only difference between the mail and passenger is that you would expect to pay under existing conditions a greater reward to a mail employee for injury than to a passenger?

Mr. LOGAN. Well, only so far as the employee is concerned. Of course human life is human life and ought to be looked on as being more valuable and have far greater protection than mail matter in a mail car.

The CHAIRMAN. I understand; but I understood you to say a moment ago, at least that is my impression, that you expected to have to pay more damages for injury to a mail employee than you would to the ordinary passenger?

Mr. LOGAN. That has been, on the average, our experience, yes; for injury to a mail employee.

The CHAIRMAN. What has been the reason for that?

Mr. LOGAN. They have been better educated to the conditions, I presume, and know how to go about making their claims better, and probably use better class of lawyers, and so on.

The CHAIRMAN. There is no recognized principle in law for a distinction of that nature?

Mr. LOGAN. No, sir.

The CHAIRMAN. Then from that viewpoint you would expect that the transportation companies should receive a higher compensation for handling the mail than they do for carrying passengers or carrying express?

Mr. LOGAN. No; although the mail always has the preference. With the payment for the carriage of the mail clerks included it would seem to me the amount earned per mail car ought to be approximately what can be earned per passenger car.

Mr. LORENZ. Does not the passenger department have to carry free officials, employees, and perhaps others?

Mr. LOGAN. Yes.

Mr. LORENZ. So that there are certain persons necessarily carried without compensation by the passenger department?

Mr. LOGAN. Yes.

Mr. LORENZ. Why could not that matter be eliminated in the comparison if the employees in the mail service are carried free and those necessary in the passenger service are carried free?

Mr. LOGAN. It is necessary to carry men free account of, etc., the freight service. That is only incidental, and it might be an infinitesimal amount as compared to the whole. I do not believe it could be easily calculated.

The CHAIRMAN. Is there any further information you have to submit, Mr. Logan?

Mr. LOGAN. No, sir.

The CHAIRMAN. The committee are very much obliged to you for coming down and giving us your views on the matter.

*Net income by classes of traffic, Grand Trunk Western Ry. Co., year ending June 30, 1912.*

| | | Amount. | Per cent. |
|---|---|---|---|
| Car-miles: | | | |
| Passenger | | 702,766 | 87.99 |
| Express | | 24,350 | 3.05 |
| Mail | | 71,525 | 8.96 |
| Total | | 798,641 | 100.00 |
| Freight-train operating expenses | | $2,638,889.92 | ..... |
| Passenger-train operating expenses | | 2,191,070.70 | ..... |
| Total operating expenses | | 4,829,960.62 | ..... |
| Apportionment of passenger-train operating expenses on car-mile basis: | | | |
| Proportion chargeable to— | | | |
| Passenger | | 1,927,923.11 | 87.99 |
| Mail | | 196,319.93 | 8.96 |
| Express | | 66,827.66 | 3.05 |
| Apportionment of taxes, interest, rentals, hire of equipment (on revenue basis): | | | |
| Freight revenue (including freight miscellaneous) | | 4,240,782.24 | 63.61 |
| Passenger revenue (including passenger miscellaneous) | | 2,198,874.61 | 32.98 |
| Mail revenue | | 128,663.00 | 1.93 |
| Express revenue | | 98,485.14 | 1.48 |
| Total | | 6,666,804.99 | 100.00 |
| Taxes | $399,422.13 | ..... | ..... |
| Rentals | 90,404.55 | ..... | ..... |
| Hire of equipment | 424,619.01 | ..... | ..... |
| Total | 914,445.69 | ..... | ..... |
| Interest | | 847,855.32 | ..... |
| Proportion chargeable to: | | | |
| Freight | $581,678.90 | 539,320.77 | ..... |
| Passenger | 301,584.19 | 279,622.68 | |
| Mail | 17,648.80 | 16,363.61 | ..... |
| Express | 13,533.80 | 12,548.26 | ..... |

RECAPITULATION.

[Italic figures indicate deficit.]

| | Freight. | Passenger. | Mails. | Express. | Total. |
|---|---|---|---|---|---|
| Operating revenue | $4,240,782.24 | $2,198,874.61 | $128,663.00 | $98,485.14 | $6,666,804.99 |
| Operating expenses | 2,638,889.92 | 1,927,923.11 | 196,319.93 | 66,827.66 | 4,829,960.62 |
| Net operating revenue | 1,601,892.32 | 270,951.50 | *67,656.93* | 31,657.48 | 1,836,844.37 |
| Ratio | [62.23] | [87.68] | [152.58] | [67.86] | [72.45] |
| Taxes, rentals, and hire of equipment | 581,678.90 | 301,584.19 | 17,648.80 | 13,533.80 | 914,445.69 |
| Operating income | 1,020,213.42 | *30,632.69* | *85,305.73* | 18,123.68 | 922,398.68 |
| Interest | 539,320.77 | 279,622.68 | 16,363.61 | 12,548.26 | 847,855.32 |
| Net income | 480,892.65 | *310,255.37* | *101,669.34* | 5,575.42 | 74,543.36 |
| Cost of property [1] | 17,792,124.77 | 9,224,717.41 | 539,833.37 | 413,965.49 | 27,970,641.04 |
| 6 per cent return on same | 1,067,527.49 | 553,483.04 | 32,390.00 | 24,837.93 | 1,678,238.46 |
| Surplus per year | *47,314.07* | *584,115.73* | *117,695.73* | *6,714.25* | *755,839.78* |

[1] Prorated between classes of service in ratio of revenue.

## STATEMENT OF ARCHIBALD H. ROWAN.

The CHAIRMAN. Mr. Rowan, it will be necessary that you be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Will you kindly give your full name, residence, and official occupation which you occupy with any transportation company?

Mr. ROWAN. Archibald H. Rowan, assistant to the vice president of the New York Central, and manager of mail traffic of the Boston & Albany Railroad; residence, New York; age, 34.

The CHAIRMAN. How long have you been connected with the New York Central and the Boston & Albany?

Mr. ROWAN. Fourteen years.

The CHAIRMAN. Your present official position is what?

Mr. ROWAN. Assistant to the vice president of the New York Central, and I am manager of mail traffic for the Boston & Albany Railroad.

The CHAIRMAN. And have been for 14 years?

Mr. ROWAN. No; 1 year in the direct employ of the Boston & Albany Railroad, but 14 years with the New York Central.

The CHAIRMAN. But 14 years with the New York Central?

Mr. ROWAN. I should correct that, because the Boston & Albany was part of the New York Central system until about a year ago, but when they were operated separately I handled their mail business independently.

The CHAIRMAN. In conjunction with the New York Central?

Mr. ROWAN. Yes, sir.

The CHAIRMAN. Are you familiar with what is known as Document No. 105?

Mr. ROWAN. Yes.

The CHAIRMAN. And also familiar with the amended suggested plan of Mr. Hitchcock, the ex-Postmaster General, as represented on page 109 of the preliminary report in the pamphlet entitled "Railway mail pay," are you not?

Mr. ROWAN. Yes.

The CHAIRMAN. Would you favor the committee with your comments in reference to the suggested plan?

Mr. ROWAN. Mr. Chairman, I have prepared a short statement, and if it is agreeable to you I will be glad to read it and answer any questions.

I have prepared a short statement for the information of the joint commission of Congress investigating compensation for the transportation of the mails, showing the extent of the mail service performed by the New York Central lines for the Post Office Department. I will endeavor to show in detail the extent of our service, the advantages of same to the Post Office Department, and the pay which we receive from the Government for the services which we perform.

Mr. W. C. Wishart, statistician of the New York Central lines, has prepared a criticism of House Document No. 105 as relates to the New York Central lines, which he will submit as a matter of record and for the information of the joint committee.

I should be very glad to be interrupted at any time during my testimony to answer, to the best of my ability, any questions which may suggest themselves.

The New York Central lines have a total mileage of 12,962.31 miles, with total annual operating revenue for the year ending December 31, 1912, amounting to $286,604,248, the mail revenue for the same period being approximately $5,864,000, representing about 2 per cent of the total revenue, the mail service being performed on practically all of our mileage.

The bulk of the mails are handled on mail route 107011, between New York and Buffalo, the pay being based on a daily average weight of 389,411 pounds of mail, and route 131095, Buffalo to Chicago, on which the daily average weight is 317,711 pounds. These two routes comprise what is known by the Post Office Department as the New York & Chicago R. P. O. There are other important R. P. O. lines on our system, as, for example, between Boston and Albany, Buffalo and Detroit, Detroit and Chicago, Cleveland and St. Louis, Cleveland and Cincinnati, and Chicago and Cincinnati, on all of which R. P. O. cars are operated.

About 1875 the first "fast mail" train between New York and Chicago via the New York Central lines was inaugurated, on a schedule of 27 hours and 40 minutes. This "fast mail" was equipped with railway post-office cars and practically all of the through mail over our lines was handled on this train. To-day, in and out of Grand Central Terminal, New York, we operate daily 258 passenger trains (not including trains of the New Haven road), of which number there are 20 trains a day from New York to Buffalo, 16 of which trains all operate through to Chicago and are all used by the Post Office Department in transporting the United States mail.

I do not know of a single train that does not carry mail on the New York Central lines; that is, of the through passenger trains.

Five of these through westbound trains to Chicago are what are known as mail trains and are operated primarily for the mail service, together with the complementary eastbound trains, the schedules of these trains being governed very largely by the needs of the department.

The CHAIRMAN. Are there any passengers on those five trains?

Mr. ROWAN. On some of them; yes, sir; but they are operated primarily for the mail service, and if the mail service was not there they would not be operated, but as long as they are operated they fill them out with anything that has to go.

Mr. MCBRIDE. Of how many trains is that true, that they are operated primarily for the mail service, and if the mail service was not on they would not be operated?

Mr. ROWAN. A good many, Mr. McBride. If the mail service did not exist on the New York Central lines, if we did not have any mail at all, we would run our trains on a different schedule from what we do to-day.

The CHAIRMAN. How many of your trains would you discontinue altogether, in your opinion?

Mr. ROWAN. I think that the passenger business could be handled on through trains that exist; there is such frequent train service on the New York Central lines between New York and Chicago that we

could manage to get along without the mail trains; perhaps not all of them, but a majority of them.

The CHAIRMAN. You say you have five trains which primarily operate for mail. Suppose you carried no mail. Would you discontinue those five trains entirely?

Mr. ROWAN. I think three or four of them could be taken off. I refer to this in detail later.

While the advantages to the Post Office Department of these trains are many, I desire to call attention to several of the more important benefits:

First. The mail cars for these trains are brought to a terminal like the Grand Central Terminal in New York many hours before the scheduled departure to permit the Post Office Department to perform what they call "advance distribution," which saves the department the expense of maintaining terminals of their own for this work, resulting in considerable additional expense for lighting, heating, and valuable track space occupied in our terminals.

Second. The schedules of these trains are governed by the needs of the Post Office Department, both as to the time of departure and arrival at destination. To illustrate: We have a mail train which leaves New York at 3 o'clock in the morning and reaches Chicago at 1.20 a. m. This train takes the general clean up of mail out of New York and is an important train for the newspaper mail, making connections with the Rural Free-Delivery routes and permitting a first-carrier delivery of mail from New York a distance of 150 miles from New York. The arrival of this train in Chicago permits important connections to be made and advances the mail many hours over the regular passenger-train service.

Train No. 3, leaving New York at 8.45 a. m., known as the "fast mail," is split at Buffalo and the mail cars are run as a first section to Chicago, reaching there at 6.30 a. m., against the 7.30 a. m. arrival of the passenger section. This operation of a train, a distance of 540 miles, is done to give the Post Office Department more time for the important western connections out of Chicago and in order to permit of a first-carrier delivery for important Chicago mail on this train.

The CHAIRMAN. Are your schedules designated at all by the Post Office Department?

Mr. ROWAN. No. They do not order us to put on a train, but we have always cooperated with the department, and when they tell us a certain schedule is necessary we do everything in our power to give it to them.

The CHAIRMAN. But the right of determining what the schedule will be rests entirely with your own management, does it not?

Mr. ROWAN. Oh, yes.

Train No. 9, which is also known as the "fast mail," is operated west of Buffalo ahead of the passenger section so as to permit an arrival in Chicago at 11.43 a. m. Out of New York we have train No. 9 which leaves at 12.50 p. m., the fast mail, and we have a passenger section which leaves 10 minutes ahead, at 12.40 p. m. Now, if it was not for the mail we could put the passenger cars now operated on train No. 9 on No. 41, leaving at 12.40 p. m., and there would not be the necessity of running the two trains.

Mr. MCBRIDE. Has not that been largely due to the growth of the service? When the service was first put on there was but one train?

Mr. ROWAN. Yes; it was all one train; but there are too many cars now, and besides it is bad for the passenger business to hold trains at Albany and places like that a considerable time in order to transfer the mail, but if the mail did not exist we could take the passenger cars and put them on No. 41.

Train 21, leaving New York at 6.30 p. m., overtakes the Lake Shore Limited, leaving New York an hour earlier, 5.30 p. m., and the mail cars are transferred to the Lake Shore Limited at Toledo, giving a 4 p. m. arrival in Chicago as against a 5 p. m. arrival for the passenger section of No. 21. This is done to expedite the mails. If for any reason train 21 is late and connection at Toledo is missed, the mail cars are run special into Chicago, a distance of 244 miles.

Corresponding service is given eastbound where we run trains out of Chicago at 3 o'clock in the morning with a 4.01 arrival at New York and a mail train from Albany to Boston with a 5.15 a. m. arrival in Boston, permitting a first carrier delivery in all parts of New York City, Boston, and many New England cities. These two trains would never be operated on such schedules were it not for the mail and they are of great importance to the department and without them the postal service would be very much impaired.

In New England, if we did not have train No. 34, the Boston mail would not reach Boston until 7.30 in the morning. As it is now it can get there at 5.15 and the business interests can get their mail on the first carrier delivery, and the same thing applies to points like Springfield, Worcester, Providence, and the whole section of New England that is served by that train. It is a very important train for the mail service, and of absolutely no value from a passenger standpoint, for there is not a passenger car that I know of that is handled on it.

The CHAIRMAN. That is on the Boston & Albany?

Mr. ROWAN. On the Boston & Albany; yes, sir. Passengers would not desire to arrive in Boston at 5.15 in the morning, or at any terminal at that hour in the morning.

Third. In many instances these mail trains are held for important mail connections at starting points and junction points, in some cases more than an hour.

To illustrate: We have trains starting from Chicago that are due to make an overland mail connection, and when the overland connection is late we frequently hold our trains for that connection.

The CHAIRMAN. You hold them for passengers as well as for mail?

Mr. ROWAN. No, sir; we do not hold them for passengers, because they are mail trains, and if the passengers miss a train they take the next one, but the mail train is frequently held for the mail. There was a case two years ago where a train due to leave Chicago at 8.15 in the morning was held until 2 o'clock in the afternoon because the Post Office Department advised us that they had some important mail that had come from Australia, or some place like that, and it had to make a steamer in New York the next morning, and it was necessary to run this train through to New York faster than the Twentieth Century Limited.

The CHAIRMAN. You got no extra compensation for the compliance with the request of the Post Office Department?

Mr. ROWAN. We did not ask for anything extra. We considered that it was good mail service, and we were glad to cooperate with them because they showed us the importance of complying with their

request. It meant a number of days' delay if the steamer was missed at New York, and I think we have always tried to cooperate with the department.

The CHAIRMAN. That loss of time means utilization of track for that extra period which might have been used for some other purpose, or what do you expect to demonstrate from the concrete instance that you have just mentioned?

Mr. ROWAN. To show the way we have cooperated with the department; the service we give. And it certainly costs more to operate trains at high speed out of their schedule, sidetracking other passenger and freight trains, and it is a very undesirable thing to do from an operating standpoint

Mr. MCBRIDE. I think the department thoroughly appreciates the cooperation it receives from the railroad companies, but nevertheless is it not a fact that during the weighing period you would hold your train at Chicago for 10 hours or so in order to get the overland mail, which would otherwise go to some other road?

Mr. ROWAN. The time we held the train was not during the weighing period.

Mr. MCBRIDE. You were not holding trains during the weighing period in order to get the mail?

Mr. ROWAN. I do not think we make any distinction on our lines between a weighing period and any other time. We have held No. 34 sometimes since the weighing. I do not think an average operating official on our road knows when they are weighing the mail. I found an official on our road the other day who did not know we were weighing on the New York Central, and he was an operating official. Does that answer your question? You do not know of any instance where we have held them a longer time during the weighing period than any other time?

Mr. MCBRIDE. I do not recall any instance just now. I remember there have been instances where, during the weighing period, companies have held their trains in order to get the mail, and we argued that they should follow the same practice when they are not weighing.

Mr. ROWAN. I know it has not made any difference in the operation of our trains.

The CHAIRMAN. Mr. McBride, in that connection, have you found any criticism of your contention that the operation should be the same, whether during the weighing period or outside of the weighing period, with any of the roads?

Mr. MCBRIDE. There has been some contention along that line; yes, sir. If a schedule changed the conditions would change, but so long as the schedule remained the same we have asked that the train be held, maintaining that if a train was held during the weighing period for the purpose of getting the mail it should be held during the interim when we were not weighing.

The CHAIRMAN. How does that affect the question as to the increased cost to the railroads themselves, where delays result in interference with traffic, and an indirect loss to the company itself?

Mr. MCBRIDE. I do not think it would affect the cost in any way, but it has a bearing on the question, of course, as showing that the holding of the train is not wholly altruistic.

Mr. ROWAN. I want to show the mail facilities at some of our great terminals.

MAIL FACILITIES AT THE GREAT TERMINALS.

At the Grand Central Terminal, New York, a large amount of valuable space is given over to the handling of the mails and certain tracks and platforms are used exclusively by the mail service. As fast as one mail train departs, the cars for the next mail train are placed at a mail platform, so that the Post Office Department at all times has a mail train available in which men can work the mails. We have plans which have been approved by the department for the installation of an electric mail conveyor, which will be installed at an expense of over $150,000, and operated by the railroad company. This conveyor will expedite the handling of the mail between the mailing platforms and the trains and will take mail from incoming trains on conveyors to the post office, pneumatic tubes or platforms where the mail wagons take it to connecting roads or sub post offices. To handle the mails at Grand Central Terminal about 100 men are employed and at the La Salle Street Station, Chicago, 41 men, an increase of 21.6 per cent since January 1, account parcels post at the latter point.

At all junction points and terminals important space is reserved for the exclusive use of the Post Office Department. The railroad furnishes trucks and men to handle the mail, and with the rapid growth of the parcel post, which we are handling to-day without any compensation, we have had to employ additional men, purchase more trucks, and give up more space for the handling of the mails. At the present time there is already installed pneumatic-tube service at New York and Chicago, which permits the Post Office Department to exchange mail with important substations and which occupies valuable space for which no rental is paid.

I want to bring out in connection with the pneumatic-tube service we have in the stations, that this valuable space is provided without any rental.

The CHAIRMAN. How much space, in square feet, is occupied by the pneumatic terminal?

Mr. ROWAN. I could not say.

The CHAIRMAN. How many tubes do they operate?

Mr. ROWAN. I do not know. They have a machine shop there, and they have a shop for the machinery for compressing the air, and at the La Salle Street Station they have what they call a pneumatic-chute room, where the mail is taken and dispatched to the various substations in Chicago.

The CHAIRMAN. Did you, at the request of the Post Office Department, give this space for the pneumatic tube?

Mr. ROWAN. Yes.

The CHAIRMAN. You have asked for no additional compensation for the utilization of that space, or absorption of it?

Mr. ROWAN. I have never officially. I have talked it over with the Post Office Department officials many times, and thought we ought to get some compensation, but as I understand there has been no appropriation that could be used for that purpose.

The CHAIRMAN. You say to-day you are handling that without compensation. You get compensation, do you not, for the ordinary amount of fourth-class mail matter that you handle under your railway mail pay basis, and also under your R. P. O. car basis?

What you mean is you get no compensation for the additional business incident to the enlargement of the fourth-class mail business?

Mr. ROWAN. We get no compensation for the new business of the parcel post, and we are not getting to-day our full pay for R. P. O. space furnished and used by the department. The Post Office Department has that up now, and I suppose that will come along in time.

The CHAIRMAN. But Congress at the last session made a provision for 5 per cent extra compensation.

Mr. ROWAN. Effective July 1, 1913, yes; but we are not getting any compensation for such matter as is strictly parcel post up to that time.

The CHAIRMAN. This increase was made as compensation for the increase in the business incident to the enlargement of the scope of the fourth-class mail matter.

Mr. ROWAN. From July 1, 1913, but Congress, as I understand it, has made no provision to pay the railroads for such additional matter as they have been handling and will handle from January 1, 1913, to July 1, 1913.

The CHAIRMAN. The railroads' position, as I understood it, was what they asked as a just demand from their viewpoint—and I think correctly so, as I will say personally—was a special weighing to be had in July or September or even October in order to determine the additional matter handled, and they were satisfied or even willing to waive any claim for compensation because of the increase in business incident to the period of six months from the 1st of January to the 1st of July, were they not?

Mr. ROWAN. If we had gotten the special weighing, yes, Senator. I am not making a claim for pay up to July 1, 1913, on parcel post.

The CHAIRMAN. We do not want to get in the record a false impression. Congress did take cognizance of the increased burden they put upon you by what is known as the parcel-post legislation and endeavored to give you compensation for the increased burden, and the best method of ascertainment, in the opinion of Congress, in accordance with its action, was an allowance of 5 per cent increase in railway mail pay. That is the fact, is it not?

Mr. ROWAN. Yes.

Senator WEEKS. How many tracks are there in the Grand Central Station?

Mr. ROWAN. We have two levels with 67 tracks, or 42 tracks on the upper level and 25 on the lower level.

Senator WEEKS. You give up one track to the mail trains?

Mr. ROWAN. No. We have two tracks down on the lower level where they load the fast mail trains, but there is hardly a train that goes out that does not handle mail.

Senator WEEKS. Then you think about one-fiftieth of the tracks is given up to the mail service?

Mr. ROWAN. But we bring the cars up from the lower level to the upper level about half an hour before the train departs, and use the upper-level tracks.

Senator WEEKS. Do you think you give up about one-fiftieth of the trackage to the mail service?

Mr. ROWAN. I should think more than that.

Senator WEEKS. How much do you give up to the express service?

Mr. ROWAN. None at all, sir; not directly, because the express is not handled in the Grand Central Terminal. The express companies have their own buildings on the west side of New York, and own their building for that purpose. They do handle some local business at the Grand Central Terminal, and they have space in the baggage room where they handle this express, which is taken down and put on the trains by the express messengers. They have their own men to do that.

Senator WEEKS. Do they pay for the space in the baggage room?

Mr. ROWAN. Yes, sir.

The CHAIRMAN. You say the express cars are made up in their own terminal. Are they not put on the train in the Grand Central Station?

Mr. ROWAN. The bulk of our express business is handled in special express trains, and we operate from the west side of the city, and those trains run right through to the West, so that the only express that is handled out of the Grand Central Terminal is the small amount of express on the passenger trains that goes in baggage cars, and is local business. Of course there is not enough local business to warrant a through express train for that service.

## SIDE SERVICE.

A service that we perform for the Post Office Department without any direct compensation, and which has become quite a burden, is the delivery of mail from railroad stations to post offices where the distance is less than 80 rods and where the Post Office Department does not maintain its own screen-wagon service.

As of July 1, 1912, the New York Central Lines paid to outside contractors employed to handle the mails between railroad stations and post offices $18,938.40, and the Boston & Albany Railroad paid $1,841, or a total of $20,778.40 per annum.

The CHAIRMAN. Then the New York Central and Boston & Albany for side service were required to expend $20,778.40 per annum. How much of the total mail of the United States does the New York Central and Boston & Albany handle? Have you any idea of the percentage?

Mr. ROWAN. I could not tell you.

The CHAIRMAN. The compensation is $5,800,000 for railway mail pay and R. P. O. pay?

Mr. ROWAN. Yes, approximately.

The CHAIRMAN. That is a little more than 10 per cent of the total compensation.

Mr. ROWAN. This does not include, of course, the expenses that we have in performing side and terminal service at stations where the work is done by our own men, where the time of our men is used in handling the mail.

The CHAIRMAN. This is a direct additional cost to you represented by an increased number of employees that you have to pay because of the side service, this $20,778.40?

Mr. ROWAN. The men are not our employees, but they are subcontractors.

The CHAIRMAN. That is an additional expense?

Mr. ROWAN. Yes, sir.

The CHAIRMAN. Do you have to engage any additional employees because of the side service?

Mr. ROWAN. I imagine there are a number of points on our railroad where the burden of the side and terminal service requires the employment of additional men.

The CHAIRMAN. You have not that computation?

Mr. ROWAN. I have not; no, sir. I have a record in my office of the amounts paid to outside contractors, and that is the amount which I am stating here.

Since January 1, account of the parcel post, we have received numerous demands from contractors for increased compensation for the handling of the mails between post offices and railroad stations, and in a number of places additional money has had to be paid in order to keep the contractor from throwing up the work.

The CHAIRMAN. Have you any information as to the additional amount you paid for that?

Mr. ROWAN. It is so incomplete I did not think it was worth while submitting it. That is because we were still negotiating with a number of contractors, and at a number of points where no contractor is employed to-day the station agent is demanding more help or the employment of some outside men to handle the mail, and we have not decided in every case just what we would do.

The CHAIRMAN. These side service contractors, do you make your contracts with them by the year?

Mr. ROWAN. Yes, sir; generally.

There are also a number of points where the service has been performed in the past by our station force, but as a result of the increase in the mails, it has been necessary to either employ additional help to take care of this work or give the contract to some outside party, and if the parcel post continues to increase, as I believe it will, it is going to result in a very large expense to the railroad to provide for side service. There are some places where we will have to maintain a regular express service.

There are many places where we pay contractors more for the carriage of the mails between the post office and the termini of a route than we receive in pay from the Government. To illustrate, the Little Falls & Dolgeville road, part of the New York Central lines, known as route 107163, has a mileage of 11.87 miles and the annual pay for the transportation of the mail is $557.63. Of this amount we receive from the Post Office Department $40.01 per annum for the handling of the terminal mails at Dolgeville, and employ a contractor at the rate of $200 a year to do it. In other words, it costs us $159.99 more than we receive to perform the terminal service.

The CHAIRMAN. For the total mail compensation at that point?

Mr. ROWAN. Yes, sir.

On the New York Central & Hudson River Railroad we pay outside contractors $2,403 annually to perform terminal service, and we receive from the Post Office Department $643.84, or a direct loss of $1,759.16 per annum. For all our lines, including the Boston & Albany Railroad, the difference between what we receive from the Government for terminal service and what we pay to outside contractors amounts to a loss of $6,252.36 per annum, and, as I have already stated, this amount is going to be increased very largely as the parcel post grows.

The above figures do not include expense to the railroad where our own employees handle the mail.

Mr. Wishart will show in his testimony how the mail earnings of the system lines by years have decreased, although the weight of the mail handled has increased, and that the cost of labor, fuel, and all operating expenses have greatly increased. In the last 10 years the cost of coal alone, which is a very important commodity in the operation of a railroad, has increased 76 per cent. In 1897 the daily average weight on New York Central & Hudson River Railroad was 250,000 pounds, in 1909, 452,333 with a basis of 6-day divisor, or 389,441 with 7-day divisor, while the mail pay has not increased proportionately. In 1906 our mail earnings on the New York Central lines were $6,901,307.97 as compared with revenue for year ending December 31, 1912, of $5,864,000.

The CHAIRMAN. And the total railway mail pay or the pay that you receive, including R. P. O.

Mr. ROWAN. Including everything, R. P. O. and transportation pay.

Senator WEEKS. You do not mean to say the receipts from the mail service have decreased in that time to the New York Central Railroad?

Mr. ROWAN. Yes, sir; and I want to show you how the weight has increased and the pay has not increased in the same proportion. In 1897 the daily average weight of mail was 250,000 pounds. In 1909 it was at the last weighing, if the divisor had not been changed—in order to make a comparison I have used the basis of the old divisor—it would have been 452,333 pounds daily average weight.

The CHAIRMAN. That is because of the difference in divisor in 1907, is it not?

Mr. ROWAN. No. I have raised the figures to what it would have been under the old divisor.

The CHAIRMAN. Under the divisor of six instead of seven?

Mr. ROWAN. Yes. Under the seven-day divisor the daily average is 389,441 pounds. The pay in 1907 to the New York Central main line was $1,137,517.31. In 1906 it was $1,985,910.27.

The CHAIRMAN. For the same divisor in both computations?

Mr. ROWAN. Yes, sir; in 1909, which is the basis under which we are being paid to-day, the mail compensation was $1,804,814.02. That does not include the R. P. O. pay, but it does include the transportation pay, so that we got a great deal more money in 1906 than we are getting to-day, and we are handling a great deal more mail to-day.

The CHAIRMAN. You got more money in 1906 because you had a six-day divisor, and in 1909 you had the seven-day divisor?

Mr. ROWAN. Yes, sir. That has largely affected it.

This decrease in pay has been due to change in divisor, acts of Congress reducing mail pay, withdrawal of equipment from the mail, deductions in R. P. O. pay, and the withdrawal of magazines from the mails in the third contract section, so that while we are handling more mail tonnage now than we did in 1906 we are receiving approximately $1,000,000 less revenue, yet the postal receipts of the department for the 10 years, 1901 to 1911, have more than doubled.

The CHAIRMAN. But for your tonnage of mail you computed both the blue-tag mail that goes in the fast freight and the regular mail that goes under the fast mail service?

Mr. ROWAN. No, sir. On the New York Central there is no blue-tag mail, so there the blue tag could not be taken into consideration.

Not only has the weight of mail increased very heavily, but the weight of equipment used in transporting the mail, as well as the cost of this equipment, has increased materially. For example, our wooden postal cars weighed approximately 91,000 pounds, while our latest steel postal cars weigh 122,000 pounds, an increase of 33 per cent, and it naturally follows that this materially increases our cost of operation.

The CHAIRMAN. Have you got the relative figures as to the cost of the wooden and the steel cars?

Mr. ROWAN. Yes; I have it here. The cost of the wooden posta car was approximately $6,000, while the cost of the steel postal car used to-day is practically double that amount.

The CHAIRMAN. $12,000?

Mr. ROWAN. Yes, sir.

Mr. LORENZ. For the same length of car?

Mr. ROWAN. Sixty-foot cars; yes, sir.

MAIL CARS AND APARTMENT CARS OPERATED ON NEW YORK CENTRAL LINES.

Following is a statement showing number of full R. P. O. cars and apartment cars operated on the New York Central lines during month of November, 1909:

| | Full. | Apartment. |
|---|---|---|
| New York Central & Hudson River R. R | 54 | 83 |
| Michigan Central R. R | 15 | 28 |
| Lake Erie & Western R. R | ..... | 23 |
| Lake Erie, Alliance & Wheeling R. R | ..... | 2 |
| Big Four Route | 45 | 37 |
| Pittsburgh & Lake Erie R. R | 1 | 9 |
| Cincinnati Northern Ry | ..... | 5 |
| Lake Shore & Michigan Southern Ry | 59 | 21 |
| Dunkirk, Allegheny Valley & Pittsburgh R. R | ..... | 1 |
| | 174 | 209 |

For the operation of a full postal car, the R. P. O. pay ranges from 3.4 cents per mile for a 40-foot car to 5.4 cents per mile for a 60-foot car, and in addition we receive the transportation charge for the weight of the mail handled in the car, which I understand the department estimates to average 2½ to 3 tons, so that the average earnings on a railway post-office car would be about 20 cents per mile, as compared with the average number of passengers carried, which on the New York Central is 16 passengers, or 32 cents per car-mile, or with the maximum earnings of a passenger coach with a seating capacity of 84 persons at 2 cents per mile, or $1.68 per car-mile, or for a parlor car with a seating capacity of 25 passengers, 50 cents per car-mile. On some of the eastbound R. P. O. service we would not handle 1½

tons of mail in an R. P. O. car, in which case our revenue would only be 13 cents per car-mile, as compared with a rate of 12 cents per car-mile for hauling an empty Pullman car or diner in a freight train.

As the mail on our lines westbound is over four times heavier than the mail eastbound, and as we have to perform service in both directions for the Post Office Department, it is only right to take the complimentary eastbound service into consideration in connection with the westbound service to arrive at the mail train earnings. Leaving out of consideration entirely the vast service performed in closed pouch trains and in apartment cars where we furnish considerable space, the earnings of the five mail trains westbound and the five mail trains eastbound would not average $1 a train mile, while our tariff rate for a special train is $2 per train mile, and our average revenue on all passenger trains operated is approximately $1.51 per train mile, and it should be noticed this average takes into account local trains and commutation trains which are admittedly operated at a loss.

The CHAIRMAN. Have you the comparative figures as to your cost per train mile?

Mr. ROWAN. We do not know what it costs.

Comparing the earnings of an exclusive train which earns the maximum mail pay on the Lake Shore road with a corresponding passenger train, we find train 35, which will average from seven to nine cars, earning $1.75 per train-mile on the Lake Shore, according to the train sheets made up by the Post Office Department, while a passenger train from Buffalo to Chicago, carrying about the same number of cars and operating about the same time of day (No. 23), earns, exclusive of express, $3.06 per train-mile. The $1.75 earned by the mail train is a westbound movement. The complimentary service eastbound of the mail cars earn about 70 cents, or, averaging eastbound and westbound movement, our mail earnings would average $1.20 per mile, against $1.51, the average earnings for all passenger trains. The through passenger trains pay about as well in one direction as in the other.

The CHAIRMAN. In this $1.51 average earnings for all passenger trains you include in that the mail revenue?

Mr. ROWAN. Yes, sir. The passenger trains pay about as well in one direction as in the other, whereas the mail does not. The mail pays better west than eastbound.

Let us take another illustration: The mail section of train 3 on the Lake Shore road earns about 90 cents per train-mile, and the eastbound mail section of the complimentary train, No. 4, earns an average of about 70 or 80 cents for the round trip. The passenger section of train 3 from Buffalo to Chicago earns $2.94 per train-mile, and the passenger section of train 4 earns $1.99 per train-mile, or $2.46 for the round-trip passenger train.

The operation of the mail train is very expensive, as the mail takes precedence over every other class of traffic, and the mail trains, as I have stated before, are often held for a considerable time at stations beyond the schedule station stop, in connection with the loading of the mail. Especially is this true since the establishment of parcel post. To illustrate: The exclusive mail train, No. 35, between Buffalo and Chicago, for the period March 10 to April 8, 1913, was held at various stations beyond the schedule stop 1,051 minutes as compared with a corresponding delay of 359 minutes in the year of 1912. For the same period, train 43 was

delayed between Buffalo and Chicago 1,547 minutes in 1913 as against corresponding delay of 913 minutes in 1912. The mail section of train 3 was delayed on account of mail 1,653 minutes in 1913 as against 884 minutes in 1912. On eastbound trains we find train 34 delayed 779 minutes in 1913 as compared with 249 minutes in 1912. Train 32 delayed 939 minutes in 1913 as compared with 312 minutes in 1912. Train 22 was delayed 404 minutes in 1913 as against 85 minutes in 1912. This latter train is the Lake Shore Limited, one of our high-class trains, and you can readily appreciate the difficulties of making up this lost time. There is considerable additional expense attached to make up this lost time at important mail points like Albany, Buffalo, Cleveland, etc., it oftentimes being necessary to sidetrack less important trains and freight trains in order to get the mail train to the next stopping point on time, where it is perhaps further delayed in handling the mails.

What I mean by these delays is the delay chargeable to the mails and does not include delays at Chicago waiting for connections. A train may be delayed at Cleveland 10 minutes for the mail, and it makes up that time and gets into Toledo on time, where it may lose 10 minutes more—that would be 20 minutes delay to the train.

The CHAIRMAN. If you are delayed 10 minutes at Cleveland and you make up that time between there and your next stop, do you debit that to the mail?

Mr. ROWAN. Yes. This computation is to show the length of time beyond the schedule of the special train that the train is held on account of the mail. If it is held for passengers or baggage it is not charged.

The CHAIRMAN. If you had 40 trunks at a station and you had 50,000 pounds of mail, you would not claim that the train was stopped or delayed to get those 40 trunks on, but you would charge it to the 50,000 pounds of mail?

Mr. ROWAN. The chances are it would go on different cars.

The CHAIRMAN. It could not go on the cars as long as the train stopped?

Mr. ROWAN. No, sir. The station stop is all right, but any delay beyond the station stop and if it is in order to handle the mail is charged to the mail in our train sheets. If it is on account of express, it is charged to that, or if it is passenger or baggage, it is charged to that.

Mr. MCBRIDE. Suppose you did not have help enough to put mail and trunks on at the same time. How would you charge that?

Mr. ROWAN. I do not know. I think that that ought to be divided in some way. I do not know just how it is done. This information is taken from the daily train operation sheet, showing the delays all along the line of road.

In addition to the expense of side service and terminal service performed for the mail, we supply men on our fast mail trains, paid by the railroad company, to haul mail from the working car back into the storage car. This is done with the idea of relieving the great station delays account of transferring the mail from one car to the other; and even with these men on the train there is a considerable amount of mail which is put out of one car and trucked to another car in the same train during a station stop, for which labor must be furnished

Another large expense that we have, which the Post Office Department has not taken into consideration in the preparation of Document 105, is the value of the transportation furnished to post-office inspectors while on official duty and postal clerks riding to and from their points of duty in passenger coaches. We kept track of this for six months, and on several of our lines it resulted as follows:

*Value of transportation given by the New York Central lines to Post Office Department, account postal commissions honored in passenger coaches, June 1 to Dec. 31, 1910, inclusive.*

| | |
|---|---|
| New York Central | $31,039.48 |
| Boston & Albany | 9,514.68 |
| Rutland R. R. | 1,285.08 |
| Lake Shore | 37,837.50 |
| Michigan Central | 4,740.73 |
| Big Four | 27,007.37 |
| Pittsburgh & Lake Erie | 607.25 |
| Chicago, Indiana & Southern R. R. | 190.15 |
| Total | 112,222.24 |

The acceptance of these commissions as transportation has been the outgrowth of the liberality of the railroads, so that now it is regarded by the Post Office Department as one of our obligations in the handling of the mails to transport these men.

The CHAIRMAN. That does not cover the railway mail clerks at all?

Mr. ROWAN. No, sir; except those in passenger coaches.

The CHAIRMAN. Under a six months' actual computation?

Mr. ROWAN. Actual computation; and I have the details showing the names, the commission number, and the points between which they rode.

Senator WEEKS. That was taken for what year?

Mr. ROWAN. 1910.

Senator WEEKS. Is not that riding on those commissions decreasing?

Mr. ROWAN. I do not think so. I think it has probably increased, as the mail and the number of clerks have increased.

Senator WEEKS. It was charged that about that time men were riding on their commission when they had no public business to perform.

Mr. ROWAN. My personal thought has been that there has been very little personal travel on the commissions. The man who travels as much as a postal clerk travels, when he gets a day off likes to stay at home.

Senator WEEKS. It was pretty clearly demonstrated at that time that many postal clerks went from the point where they happened to be to some other point which might be their home, or the place where some of their relatives lived, or something of that sort, on their own personal account.

Mr. ROWAN. If I am not mistaken, I think that the same rules applied to the Post Office Department in 1910 that apply now. Generally speaking, they are under oath, or at least had to make an affidavit at the end of the month that they had not misused their commissions.

The CHAIRMAN. How is that, Mr. McBride? Can you give us some information relative to that?

Mr. McBRIDE. I think there is less of that sort of travel that the Senator speaks of now than there was in former years.

The CHAIRMAN. Do you think in 1910 commissions were being used for personal travel by post-office inspectors and clerks?

Mr. McBRIDE. I know in the old days, when I was on the road, they were occasionally used for personal travel, but I do not think it is done now to any extent; the department has made every effort to stop the practice, it being absolutely forbidden by the Postmaster General's orders. That is the wish of the department.

Thereupon, at 1.30 o'clock p. m., a recess was taken until 2.30 o'clock p. m.

AFTER RECESS.

The hearing was resumed at the expiration of the recess at 2.30 o'clock p. m.

Mr. ROWAN. Mr. Chairman, before we took the recess, Senator Weeks asked a question when we were discussing the rules for the use of the commission as to whether the department was as strict in previous years as they are to-day. There are more postal clerks to-day and that might affect the question. I just wanted to bring that out.

The CHAIRMAN. In other words, since your computation in 1910, you do not think there is any difference in the changes that may have been made in the rules concerning employees, you think you carry just as many in the passenger cars to-day as you did in 1910, when you made this computation?

Mr. ROWAN. Yes, sir; and if anything a slight increase, on account of the increased number of postal clerks and post-office inspectors.

In view of these facts, why did not the Post Office Department take into account in Document 105 the space occupied by these men and charge same to the mail service, where it must certainly apply, as we are required to transport them on account of the mail service?

The CHAIRMAN. Why should they take it into account when the Government paid no compensation for them on the passenger basis, but assumed that the R. P. O. pay and the Railway Mail pay was compensation for the postal employees?

Mr. ROWAN. As long as they are figuring out the amount of space on passenger trains devoted to the mail service, it seems to me they should have taken into account the space occupied by their men on duty in passenger cars.

The CHAIRMAN. Did the Post Office Department have that information so that they could take it into account?

Mr. ROWAN. No; they could have asked us for it and we could have given it to them.

The CHAIRMAN. You only had that for six months in 1910, and document 105 was based on an inquiry on November 1909, so you could not have furnished it to them.

Mr. ROWAN. If we had known in advance of the preparation of our statistics we could have ascertained it.

The CHAIRMAN. But your question is inferentially a criticism on the part of the Post Office Department, which, if merited, should be

all right, but I do not see that your inferential criticism here is warranted for the reason that they had not the information and they had not the knowledge. How could you expect them to take cognizance of a factor existing, of which they had no knowledge?

Mr. ROWAN. The only reason I bring it in here is to show, in the preparation of document No. 105, the space occupied by the men in the postal service was not taken into consideration; that is simply a fact, and I am not offering a criticism one way or another, but it seems to me that it might properly be taken into consideration, for example, if they were doing it again.

The CHAIRMAN. Had the postal department the information that you had for 1910 for the six months computation that so many employees occupied passenger cars, equivalent to a passenger compensation at regular rates of $110,000, as I understand——

Mr. ROWAN. $112,000 for six months.

The CHAIRMAN. Then, I think there would be some justice in your inquiry, but under the conditions I do not see that there is.

Mr. MACK. Was not that information furnished the department in connection with these reports; that is, the relative value of transportation in passenger cars?

Mr. ROWAN. I do not recall positively. I think it was.

Mr. MACK. I think it was, and omitted by the department for some reason.

Mr. ROWAN. How about that, Mr. McBride?

Mr. MCBRIDE. We asked for no information regarding the amount of space occupied in passenger cars. We did ask for miles traveled by postal clerks on duty and those not on duty, for the mail service, as well as the express service, and that information was furnished.

Mr. MACK. But was not used by the department?

Mr. MCBRIDE. No, sir.

The CHAIRMAN. Why was it not used, Mr. McBride?

Mr. MCBRIDE. I think that is explained in Document No. 105 in the text there. I do not recall the wording of it, but for one reason there was no way to check it up and see if it was accurate.

The CHAIRMAN. Was there any way of checking up the answers to the 160 questions submitted by the Post Office Department?

Mr. MCBRIDE. Yes; we could check up the amount of space used.

The CHAIRMAN. You could check it up, but if you asked 160 questions and you received 160 answers, is there any way of checking that up other than the computation that might be based on the information submitted in answer to your interrogatories?

Mr. MCBRIDE. Yes; we had information from our own people as to the various items.

The CHAIRMAN. What was the purpose of getting the information from the railroads if you had it all from your own people?

Mr. MCBRIDE. Merely as a confirmation, and primarily because the law provided for getting the information from the railroad companies, and the other was secondary; we got the other information in connection with the inquiry made by the railroads.

The CHAIRMAN. I did not catch that.

Mr. MCBRIDE. The inquiry was primarily conducted to secure from the railroads certain information, and in order to verify that as much as possible we obtained data from the officers of our service to check the information furnished by the railroads.

The CHAIRMAN. Then the data that you got from your field officers was particular information sought for the purpose of comparing it with the information that you received from the railroads for this special method?

Mr. MCBRIDE. That is entirely correct.

The CHAIRMAN. And that information would not be available under the ordinary administration of the Post Office Department?

Mr. MCBRIDE. No, sir; not all of it. Some of it would be, but we had to make an inquiry in order to get it.

Mr. ROWAN. Did you check up all the space submitted by the railroads for the month of November, 1909?

Mr. MCBRIDE. Yes; as far as we could.

Mr. ROWAN. In other words, you duplicated the work that we did on all of the railroads?

Mr. MCBRIDE. We asked for specific information with regard to the space used and needed on the trains for the Railway Mail Service. The particular data regarding closed-pouch service was not checked up, except that we applied our own basis to the data reported by the companies.

Mr. MACK. The point of the matter here is that this was service rendered the Post Office Department in transportation of officers and employees of the service, and it was not taken into account in the deductions made in Document 105 for the reason that you had no means of checking the accuracy of the reports of the railroads as to the volume of that transportation. (Its value, based on November, 1909, statistics, was $1,171,810.68 per annum for transportation rendered the Government as an incident of mail transportation.)

Mr. MCBRIDE. Yes, sir.

Mr. MACK. And, as I understand, Mr. Rowan submits subsequent information here to-day, indicating the value of that as a condition or an incident of mail transportation.

The CHAIRMAN. The $112,000 loss to the railroad, according to your viewpoint, represents the actual computation made by the New York Central for the six months of the year 1910?

Mr. ROWAN. It does; yes, sir.

### SPACE BASIS VERSUS WEIGHT BASIS.

There are serious objections, in my mind, to the substitution of space for weight as a basis of paying the railroads for the transportation of the mails. First, the difficulty in arriving at any definite or accurate basis on which to compute cost; second, varying rates of pay on different railroads; third, the fact that it places in the hands of one man, the Postmaster General, the power of adjusting pay for the railroads; fourth, the constant friction which would result between the Post Office Department and the railroads as to the amount of space used. Nine-tenths of the difficulties with the Post Office Department to-day are over the question of car space, the department repeatedly using more space than is authorized. This is due, of course, largely to the fact that the department measures space not by the number of feet used, but by the number of separations made in the distribution of the mails, which, according to the yardstick now used by the department, prescribes a definite number of letter separations and paper separations as equivalent to 40, 50, or 60 feet

of space. For example, we have operating on the Boston & Albany Railroad, between Boston and Albany, an exclusive car specially fitted up to meet the peculiar needs of this run. In this car the Post Office Department makes over 1,100 letter separations, and the cars are manned by eight postal clerks. The Post Office Department will not recognize this car as anything but a 30-foot apartment car, because there is no paper mail separated on this train, although the 1,100 letter separations exceed the requirements of a 60-foot car by 500 separations.

I can see nothing but constant friction ahead if we have to argue out the mail space on every mail train. There have been other arguments presented by the railroads against the space basis, but weight is the factor used in charging for freight and express, and why not for mail?

The CHAIRMAN. Mr. McBride, in that connection what have you to say to Mr. Rowan's statement that your method of ascertainment is based on the number of letter separations for the space used? Is that correct, in the department?

Mr. MCBRIDE. Not entirely so.

The CHAIRMAN. How far is it? Would you elucidate a little on that? How do you use letter separations as a measure for the space used?

Mr. MCBRIDE. We have heretofore had a standard number of separations in letters and papers——

The CHAIRMAN. Do you make any distinction between letters and papers?

Mr. MCBRIDE. Yes; letter separations are small pigeonhole boxes, while paper separations are provided by canvas sacks hung in a rack fastened to the side of the car and were, before the advent of the parcel post, hung with 9-inch openings.

The CHAIRMAN. Then piece separations was misleading to my mind, the separations being the number of pigeonholes or divisions in a car?

Mr. MCBRIDE. Divisions, pigeonholes, or number of sacks.

The CHAIRMAN. How many pigeonholes and how many sack spaces do you figure as the equivalent of 30 feet, how many the equivalent of 40 feet, and how many the equivalent of 50 feet? Have you an universal number of separations that apply?

Mr. MCBRIDE. We have a standard of separations for each size car, but that is not the sole basis for a determination of car space; other factors are the amount of space needed for the storage of the working mail and of the registered mail and mail for local delivery. The regulation governing the determination of the amount of space upon which car space is authorized is contained in subparagraph *a* of paragraph 3 of section 1179 of the Postal Laws and Regulations, as follows:

*a*. In determining the amount of space which shall be the basis for a recommendation and authorization of railway post-office cars and pay therefor the principal element shall be the amount of space necessary for railway post-office purposes; that is, for the handling and the distribution of the mails en route, the storage of the mails to be so distributed, and the storage and handling of registered matter and mails for local delivery.

The CHAIRMAN. Have you an universal rule?

Mr. MCBRIDE. No; no universal rule.

The CHAIRMAN. Then they are arbitrary in each instance?

Mr. MCBRIDE. The determination of the amount of space needed for the storage of working mail and local delivery mail is left largely to the division superintendents as they state their needs.

The CHAIRMAN. Is there any unanimity as between your superintendents as to the yardstick which you have for that determination of the separations for the space used, so many for so many feet?

Mr. MCBRIDE. Entirely so, on the separations.

The CHAIRMAN. How many separations are required for 10 linear feet?

Mr. MCBRIDE. We do not put it that way. We have a standard for a 30-foot car, a 40-foot car, a 50-foot car, and a 60-foot car. In a 30-foot car there are 300 letter separations, and I think 96 paper separations under the old rule, but since the advent of the parcel post we have had to change that on account of the necessity of hanging sacks with wider openings, and personally it is my opinion that we shall have to adopt a linear space unit instead of a separation unit.

The CHAIRMAN. Then the development of what is known as the parcel post strengthens your contention as to the advisability of the substitution of space for weight as the determining factor or a measure of compensation for the service rendered?

Mr. MCBRIDE. Yes, sir; we have had a great many recommendations recently for increase in car space due largely and principally to the advent of the parcel post, which does not increase the number of separations in the car, but which requires a greater number of linear feet for a given number of separations, because we find it necessary to hang them with 12 or 14 inch openings instead of 9 inches, on account of the larger articles.

Mr. ROWAN. To illustrate, I have a specific case here. We have two postal cars operating on our line recently built and built according to the plans prescribed by the Post Office Department. We are in receipt of a letter from a Post Office Department official, dated April 12, 1913, in which he calls attention to the fact that the minimum number of separations in a 60-foot car is 600 letters and 200 papers, whereas in the two cars referred to the following openings are provided in one car, 884 letter and 140 paper; in the other car 884 letter and 138 paper. We exceed the number of letter separations required for a 60-foot car, but we have not got the required number of paper separations.

Mr. MCBRIDE. That is due, I assume, to the necessity for hanging sacks with the wider openings.

Mr. ROWAN. That I do not know. We are told if we can not change them they do not see how they can consider this car as anything else but a 40-foot car, although they are using 884 letter separations and 140 paper separations and the inside arrangement of the car was prescribed by the department. We will fix a car up in any way the department asks, and the car is 60 feet inside measurement, and now we have to go to work and change it.

Mr. MCBRIDE. I do not think you want that to go into the record, that the department sent you a letter of that kind, do you—the Post Office Department in Washington?

Mr. ROWAN. No; I will change that. That is a letter I got several days ago, and I brought that down to talk to you about it. But the department has, in the past, used a yard stick as to the number of separations made in a car.

Mr. MCBRIDE. They were constant under the old order of things, but since the advent of parcel post we have had to abandon that, practically, in so far as paper separations are concerned.

The CHAIRMAN. Let me ask you, in that connection, if heretofore you have used the number of separations as your unit upon which to determine the amount of space, why could not the number of separations be the factor as to the determination of the space, providing the separations are made always the same.

Mr. MCBRIDE. They could, and that was the reason for adopting the standard under the old plan. But under the advent of the parcel post something new is injected.

The CHAIRMAN. In 1909, under the old inquiry, there was no such thing as the parcel post. The difference of opinion between the department and the transportation companies existed before the 1st of January, 1913. I would like to ask some of you railroad gentlemen in that connection what criticism you have as to the utilization of the number of separations—if you have a fixed measurement for the letter separations and a fixed measurement for the newspaper separations, and a fixed measurement, if you please, for parcel post? What is your criticism of that? Mr. Mack, will you answer that?

Mr. MACK. As a basis for space pay, you mean?

The CHAIRMAN. Yes.

Mr. MACK. The number of separations primarily would depend upon how much distribution the Post Office Department wants to make. It can make it more or less as it chooses. There is not any condition of service that requires a certain distribution of a certain number of separations.

The CHAIRMAN. They would not change the number of pigeonholes for mail or the number of racks each trip; they would be fixed in the car, and they would be the inches, if you please, of your yardstick.

Mr. MACK. On each trip, yes; that could be determined.

The CHAIRMAN. I mean, could a basis be worked out with the utilization of the number of separations as the basis? Mr. McBride said because of the growth of what is known as the parcel-post business he is more than ever convinced as to the desirability, and in fact of the necessity, of the substitution of space for weight as the measure of the service rendered. I simply ask now what your criticisms are as to the utilization of a given number of pigeonholes for your letters and sacks for your newspapers in a car, as the basis for your yardstick, if you please, for the service rendered?

Mr. MACK. Well, I presume it could, but there would have to be an understanding as to what number of letter boxes was the proper basis for that space pay. For instance, the Post Office Department now, on a 60-foot car, would require 600 letter boxes. In 1876 the pay for a 60-foot car was provided for with 98 letter boxes. We think the post-office car has been very much overworked in its distributing facilities.

Mr. SAFFORD. There is another important item in that connection, and that is that the number of separations do not necessarily represent the volume of mail in this case.

The CHAIRMAN. It represents the volume of facilities, does it not?

Mr. SAFFORD. So far as pigeonholes and rack space are concerned they do, but they do not necessarily represent the amount of floor space.

Mr. BRADLEY. It would seem that the question of interior facilities should not affect the question of car space at all. If car space were the basis upon which the pay would be calculated, the interior facilities then would merely be important to the Post Office Department, and not important to the railroad company, unless the Post Office Department should undertake to make frequent changes in the make-up of those fixtures, thus obliging the railroad company to go to the expense of refitting the car, which is a more difficult matter at the present time with steel car equipment than it would be in the old times with wooden equipment; but if space were the basis of pay and there was a certain rate for a 60-foot car, it would seem to me that the utilization of the interior of the car by the Post Office Department in its own particular work would be a matter of indifference to the railroad company, except, as I said, as to the item of changes needed from time to time in the arrangement of these interior fittings.

Mr. ROWAN. They require a different number of separations between different points. There are often cases where they want a 40-foot car, say, for instance, from New York to Syracuse, and a 60-foot car from Syracuse to Cleveland, and a 40-foot car from Cleveland to Chicago. On a run like that you would have to provide the maximum number.

The CHAIRMAN. Mr. McBride, in the suggested plan of the department, was it the idea of the committee that different rates of compensation per linear foot would be paid on a 60, 40, 30, 20, or 10 foot basis?

Mr. MCBRIDE. No, sir.

The CHAIRMAN. That the same rate per linear feet would be paid?

Mr. MCBRIDE. A car-foot-mile rate for a railroad system.

The CHAIRMAN. If they got a dollar for a linear foot, would they get $10 for 10 linear feet, $20 if there were $20 linear feet, and $30 if there were 30 linear feet, $40 if there were 40, $50 if there were 50 linear feet, and $60 if there were 60 linear feet?

Mr. MCBRIDE. Yes, sir.

The CHAIRMAN. So that you would have the same compensation whether 1 foot or 60 feet?

Mr. MCBRIDE. Yes, sir; the same rate of compensation per car-foot-mile.

The CHAIRMAN. Per car-foot-mile?

Mr. MCBRIDE. Yes.

Mr. MACK. That is for a single system.

Mr. MCBRIDE. It might vary with systems.

Mr. MACK. Seven hundred and ninety-five car-foot-mile rates on that basis, the uniform rate applying simply to a particular company or corporation.

The CHAIRMAN. And it is your contention that one of the weaknesses of the system is the necessity of making rates for each one of the 795 roads with whom the Government has contracts to-day?

Mr. MACK. We think there should be uniform rates.

Mr. ROWAN. Another objection to the present basis of mail pay is the fact that no pay is given for apartment cars. At the time the present basis of pay was established the apartment as it is to-day did not exist. It originated by the railroads permitting the route agents to have a few cubby-holes in the end of the baggage car or a few hooks, where he could hang up mail sacks, and the evolution has brought us down to the point where to-day a 30-foot apartment car is half of a car fitted up identically with a full mail car, with expensive fittings which must conform to the prescribed apartment-car standards, and be heated and lighted, and placed for advance distribution whenever the department desires, and in which numerous mail clerks are carried. It is impossible for the railroad to get sufficient tonnage in these working post offices to anywhere near compensate them for the operation of a car. The Post Office Department pays rent for its post offices—why is it not fair to pay rental for a post office on wheels, and a sufficient rental to pay for the cost of hauling this post office over the road?

The CHAIRMAN. It does in the R. P. O. car.

Mr. ROWAN. It does in the R. P. O. car pay.

The CHAIRMAN. And your contention is that they should apply the same system to the apartment car.

Mr. ROWAN. Yes, sir. The side service is the outgrowth of the old stage coach which was required to go to the post office, where the distance from the main road was less than 80 rods. At a great many points where the station is small and the train service not frequent, and the amount of mail to be handled small, the work can be performed without additional help and little or no expense, but as the mails have increased and with the parcel post, it becomes a real burden which was never intended by the originators of the law to be placed upon the railroad company. In many cases, in my opinion, arrangements could be made between the Post Office Department and the railroads so that the railroad could be reimbursed for the actual cost of the service performed. At places where the amount of mail to be handled requires the employment of additional help, or an outside contractor, the railroad should be relieved of the service altogether. There are numerous points on our system lines where the public is considerably inconvenienced by the one employee of the railroad being away from the station at different periods during the day carrying the mail between the station and the post office. There are also cases where we have to employ an additional man in order to exchange mails between the railway station and the post office at hours when an agent is not on duty. In my opinion, it is no more the duty of the railroad company to handle the mails beyond their station platform than it is for a railroad to transport a man from the railroad station to his residence.

Under the present system of weighing, once in four years, and with a normal increase in the mails ranging from 6 per cent up, the railroads are required to handle additional quantities of mail for which there is no compensation whatever. There is no justice to this, and four years is entirely too long a time between weighings, and there are cases where it works a tremendous injustice. For illustration, just after the quadrennial weighing of the mails in the State of Ohio, in 1907, the printing of stamped envelopes and newspaper wrappers was changed from points in New England to Dayton, Ohio, so that many roads have been required to handle this traffic for four years

without any compensation, while other roads have been receiving for the same period compensation for services not performed. There can not be any justice to this whatever. After handling this matter out of Dayton without compensation from three to four years the Post Office Department withdrew a large amount of same from the mails and shipped it by freight so that we will never receive a dollar compensation for all of this mail which has been handled.

The CHAIRMAN. What do you estimate that would amount to in dollars under the present method?

Mr. ROWAN. I could not say, Senator. I have never figured it up, but I suppose the department knows how much they have shipped by freight.

The CHAIRMAN. Of this particular matter, have you any idea, Mr. Prentiss, what that would amount to in weight?

Mr. PRENTISS. No, sir.

The CHAIRMAN. What would the volume of that business in stamped envelopes and newspaper wrappers that were made at Dayton, Ohio, amount to?

Mr. MCBRIDE. I can not state offhand, but can possibly get the data. The records show that during the fiscal year of 1912, 4,588,339 pounds of stamped envelopes and newspaper wrappers were shipped by freight from Dayton.

Mr. ROWAN. I just wanted to bring this out. The department is powerless to do anything. Annual weighings would make conditions more equitable.

We are weighing the mails east of Buffalo to-day and have been accustomed to receive several days a week large consignments of stamped envelopes and newspaper wrappers from Dayton to New England territory. Since the flood in Ohio the shipments of this matter from Dayton have practically ceased, so that on this particular traffic we have only received the benefit of the weight from February 19 to March 25, and it is doubtful whether normal conditions will be resumed before the weighing is over. In other words, for hauling this traffic we are only going to receive one-third the pay that we are entitled to, as only about one-third the amount of this matter handled under normal conditions will be included in our weights.

Further, in the fall of 1908 when the mails were weighed in New England the country was just recovering from the financial depression of 1907, and the weights of the mail on the Boston & Albany Railroad between Boston and Albany showed a loss in weight over the four years previous, a most unusual thing to have happen. The weighing of the mails on the Boston & Albany during the fall of 1912, which will govern the compensation for four years beginning July 1, 1913, shows an increase of 34 per cent over the 1908 weighing, from which you can readily see that we have been carrying for several years past a considerable volume of mail for which we have had absolutely no compensation, as the weighing was conducted at an abnormal time. Conditions became normal again in the spring of 1909. The spring weights in New York State in 1909 showed the normal increase which was expected.

Mr. MCBRIDE. Right there I might say that I am advised by the Division of Stamps that they have practically resumed the regular shipments out of Dayton.

Mr. ROWAN. I am glad to hear that. I asked our man in Dayton to advise me and he said it would be some time before they were normal, but he is not able to get the information as accurately as you are.

Mr. MCBRIDE. I was talking with the superintendent of the Division of Stamps yesterday, and he said they had resumed shipments.

Mr. MACK. Have you any objection to the insertion in Mr. Rowan's testimony where the question of the value of the transportation of postal employees in coaches came in to show that in the testimony of Second Assistant Postmaster General Stewart he showed that information and showed that the statistics indicated $97,650.89 a month and the annual value of that service would be at the rate of $1,171,810.68?

The CHAIRMAN. For the whole allowance?

Mr. MACK. For the whole allowance. That is not the postal clerks in the cars, but the officials and the clerks traveling in coaches and in Pullman cars. I thought it might be interesting to have it put in at that point in the testimony. It shows the annual value of it as reported by the railroad companies.

Mr. ROWAN. The main lines would be apt to get more of that than the side lines. We find it is mostly on the main line on our road. The side lines do not get much of it.

The CHAIRMAN. Do you think transportation companies should receive relatively the same pay for mail service that they do for express and passenger, or what difference, if any, would you make between these three services in the way of compensation, and what do you figure the difference in the way of actual cost and operation?

Mr. ROWAN. We think that the mail service should pay its share of the expenses.

The CHAIRMAN. You mean that the mail, passenger, and express should all be treated alike?

Mr. ROWAN. Yes, sir.

The CHAIRMAN. Are their operating expenses all alike?

Mr. ROWAN. I should say so. The mail is given preferential treatment in every case and given precedence over the passenger service every time.

The CHAIRMAN. Do you figure your operating cost the same in all three cases?

Mr. ROWAN. We have not figured the cost of each service, Senator.

The CHAIRMAN. That has never been done?

Mr. ROWAN. No, sir.

The CHAIRMAN. Then it is simply an impression on your part that they should receive equal compensation?

Mr. ROWAN. I think every class of service should pay its way; if we are paid any less we ought to be told that, so that we could go to the Interstate Commerce Commission and get them to permit us to charge more for some other class of traffic.

Mr. LLOYD. Is it not true you receive better compensation for carrying freight than you do for carrying passengers?

Mr. ROWAN. Yes, sir.

Mr. LLOYD. Should not that be equalized? Why should a man pay more for carrying freight than for carrying passengers?

Mr. ROWAN. Well, the freight service will stand it better. You can not raise the passenger rates; the commissions would not permit it.

Mr. LLOYD. That is all right, then.

Mr. ROWAN. The railroads have to stay in business. They have to get revenue from some source or go bankrupt.

Mr. LLOYD. The Government might cut down the railroads' pay a little and say you must carry it, on the same principle. You said that the three ought to bear the same proportion of expense, and then you said they did not do it. Now, why? I am talking about the passenger and freight?

Mr. ROWAN. Oh, I do not know.

Mr. LLOYD. Why don't they?

Mr. ROWAN. I do not know.

Mr. LLOYD. Have the railroads ever tried to secure a rate which would be equally compensatory for both freight and passenger service?

Mr. ROWAN. We tried to get more money out of our freight. I do not know how it is on the passenger service.

Mr. LLOYD. The trouble about the passenger is that ordinarily it is governed by State legislation?

Mr. ROWAN. Yes. We tried to raise our passenger rate—our commutation rate—and failed. The public service commission ordered us to put back the rate we formerly charged, although we have the lowest commutation rates out of New York City.

The CHAIRMAN. What is your rate per mile out of New York City—5 mills?

Mr. ROWAN. I do not know.

The CHAIRMAN. The New York, New Haven & Hartford has a 5-mill rate, I think, and they endeavored to increase that rate but could not.

Mr. LLOYD. Does it make any difference to the railroad from which service it gets its profits? In other words, from the railroads' standpoint and from an operating standpoint it is better that they should have a profit on all three services; or, better if they had a greater profit on the freight service and a lesser profit on the passenger, express, and mail? Does it make any difference from an operating standpoint or a financial standpoint to the roads as to how the dollars earned are apportioned ts between the services?

Mr. ROWAN. I can only state my personal opinion. It seems to me that on the three classes of passenger service the roads should endeavor to have each branch of the service pay its way. Otherwise, you make the passenger service pay for mail, or the man who pays the express charges pay for passenger traffic.

Mr. LLOYD. Then, assuming that your goal was to make a 6 per cent return or 7 per cent return on your investment, would it be material as to where you got your 7 per cent, whether you got it from passenger or freight, or in your apportionment for the passenger service whether you got it out of the mail, passenger, or express, or the passenger and milk service generally?

Mr. ROWAN. I should think it would, because in the passenger rate cases that we have if we showed that we were earning more than a reasonable rate to offset a mail deficit, we might have to reduce our passenger rates.

Mr. LLOYD. Does your system figure that you are making as much proportional profit per car mile on your passenger as you are on your freight?

Mr. ROWAN. We make more money out of the freight.

Mr. LLOYD. You make more money out of the freight?

Mr. ROWAN. Yes, sir; a couple of train-miles.

Mr. LLOYD. What is the difference between car mile and train-mile?

Mr. ROWAN. Train-mile is the operation of a train 1 mile.

Mr. LLOYD. One mile?

Mr. ROWAN. One mile; yes.

Mr. LLOYD. Now, what is a car mile?

Mr. ROWAN. For the individual car operated 1 mile.

Mr. LLOYD. Running an individual car 1 mile?

Mr. ROWAN. Yes.

The CHAIRMAN. What is a common unit of computation as between freight and passenger?

Mr. ROWAN. The train-mile is the only basis, but it is common really only in name, because a train-mile in freight service is not the same thing as a train-mile in passenger service, while they each have different locomotives and have a different number of cars and run at different speeds, and so on.

The CHAIRMAN. Mr. Peabody contended if there was to be but one yardstick it should be the train-mile?

Mr. ROWAN. Yes; you could use a car mile as a common unit, but it would be a very different result from the train-mile.

Mr. LLOYD. The pay there would depend on the number of cars?

Mr. ROWAN. Yes, sir; and they are relatively much more numerous in the freight service.

Mr. LOGAN. Would not that be the same, Mr. Lorenz—the train-mile and the car mile?

Mr. LORENZ. No, sir. Frequently on a railroad you will find half of the train-miles are passenger and half freight, whereas perhaps eight-tenths of the car miles are freight and one to two tenths passenger, so you would get a very different result if you took one or the other basis.

The CHAIRMAN. I understand you received $5,800,000 last year from the Government in R. P. O. and railway mail pay. Do you figure that so far as the cost of that service to your company is concerned, that you operate at a loss or at a profit?

Mr. ROWAN. It did not pay as well as the other traffic.

The CHAIRMAN. Relatively your compensation was not as great as that you received from the passenger service?

Mr. ROWAN. Yes, sir.

The CHAIRMAN. How about express?

Mr. ROWAN. I think we earned more on the express.

The CHAIRMAN. Have you made any computation to determine what actual profit you make in the handling of the mail?

Mr. ROWAN. We never thought we did make much profit, if any, on the mail.

The CHAIRMAN. You know what your profits are for your freight and you know what your profits are for passenger?

Mr. ROWAN. I think that Mr. Wishart has prepared some figures on that, and I haven't those figures at my finger tips. Mr. Wishart will follow me and I think he is going to discuss that feature.

Mr. LLOYD. Let me ask this question: Suppose you perform no mail service at all; do you think your surplus account would be

decreased or increased? Suppose you cut out the mail service; would your surplus account for the road be decreased or increased at the end of each year?

Mr. ROWAN. I do not know. I never figured that out.

The CHAIRMAN. Mr. Wishart has made a series of computations?

Mr. ROWAN. Yes.

Mr. LLOYD. I want to state right here that my candid judgment is that you can cut out the mail service and every important road in the United States would lose by reason of cutting it out at the present rate of pay.

The CHAIRMAN. That is, there would be a reduction in the net earnings?

Mr. LLOYD. Yes, sir; a reduction in the net earnings.

The CHAIRMAN. What do you think of Mr. Lloyd's impression? How would you apply that to the New York Central?

Mr. ROWAN. I do not know, Senator. I would want to give a good deal of thought to that.

Mr. LORENZ. There is no question but what Mr. Lloyd is correct. That is to say, there is hardly any contention on the part of the railroads that the mail revenue is not as great as the additional expense caused by the mail service; they are running the passenger trains anyhow, and the extra cost of carrying the mail cars is certainly not as great as the mail revenue. The only contention the railroads can make is when you count in the common expenses and interest charges and taxes and apportion them on any basis you please, then the mail does not bear its full proportion, so that to cut out the mail service entirely would very clearly cut down the surplus to some extent. I do not think there is any railroad man here who would dispute that proposition.

Mr. BRADLEY. That might be accentuated by the thought that the revenue for carrying the mail is less than 2 per cent of the total revenue. The difference would be difficult to perceive in the operating result.

Mr. LLOYD. Then there is something in that.

The CHAIRMAN. That statement is not applicable to all the roads. The New York, New Haven & Hartford make a claim that for certain months of certain years their actual loss was so many thousands of dollars; if I remember, it was $93,000 for one year and $97,000 for another year. They would have been gainers to that extent if they had not carried any mail.

Mr. LLOYD. I do not believe their computation is accurate.

Mr. LORENZ. I think, Senator, that was on the basis of the total operating expenses; but if you consider that perhaps half of those operating expenses would have gone on just the same whether the mail was carried or not, then the actual expenses occasioned by the mail would certainly not be as great as their revenue from the mail.

The CHAIRMAN. They figured a loss from the standpoint of allowance on capitalization of $500,000 or $600,000 a year. But they made an actual loss, as I understand from the statement; and I think Mr. Buckland stated specifically that the New York, New Haven & Hartford, under their system, would have been gainers by $93,000 one year and $97,000 the other if they had not carried any mail at all.

Mr. LLOYD. That is the way I understood it, and in that I think he was mistaken.

Mr. LORENZ. Mr. Rowan described at some length the special service occasioned by the mail service—special facilities that had to be rendered, the interference with the train schedules, etc. I wondered whether an equally eloquent description could not be given of the special facilities occasioned by the passenger service proper; that is to say, compare for example the mere collection of the money in the case of the mail service, where you get in one or a few checks from the Government the entire amount of money you receive for the mail service. In the case of the passenger service you collect it in small sums of one and two dollars, which requires the maintenance of passenger ticket offices and ticket agents and ticket collectors, and so on. It seems to me perhaps if we set down all the special facilities occasioned by the passenger service that we would be even more impressed than by this discussion of the special facilities occasioned by the mail service, and the two things ought to be taken together.

Mr. ROWAN. I was simply endeavoring to bring out and show for the information of the commission what was done in connection with handling the mail on a line like the New York Central.

Mr. LLOYD. Now, would you be kind enough to state what the special facilities are that are afforded the passenger service? That is, answering the same question from the passenger standpoint.

Mr. ROWAN. I would have to go all over this paper again to point out the facilities.

Mr. LLOYD. The truth about it is you have not prepared anything from that standpoint, have you?

Mr. ROWAN. No, sir; I have not prepared any statement from a passenger standpoint.

Mr. LLOYD. I wonder if anybody has that prepared for any road? I would like to have that done by two or three of the different roads, if they would, because that side of it has been repeatedly brought out in the hearings, but there has not been anything brought out that shows specifically just what extraordinary expense there is on account of passenger service, like those expenses to which Mr. Lorenz referred.

The CHAIRMAN. I think Mr. Mack has a statement to make.

Mr. MACK. Hardly in that particular way, but it seems to me that a railroad structure must first be there and the railroad passenger service in operation and the mail must stand its share of cost or should produce equal revenue with the other passenger service, because it participates in all the benefits that are derived from that great organization.

Mr. LLOYD. How does it derive any benefit from that organization? That organization was in existence before you undertook to carry any mail. You are prepared to carry passengers, you have to have your ticket agents and ticket officers and conductors, and all that kind of service whether you carry any mail or not, and because you have to have that whether you carry any mail or not, that expense ought to be charged to the passenger traffic and not to the mail.

Mr. MACK. It seems to me that we have to support and provide that service, and that that forms the possibility of the use of that structure by and for the postal service.

Mr. LLOYD. You do not use a ticket agent in handling mail. The mail has nothing to do with him.

Mr. MACK. I know, but it is necessary to have a ticket agent in conjunction with the passenger service, and if we did not have the passenger service and ticket agent we would not have any mail service.

Mr. LLOYD. You have to have a freight department. Do you think that ought to be charged up? You have to have a freight office and freight agent, and persons to handle the freight and all manner of equipment connected with freight service. No part of that could be charged to the mail, and yet it is that which you must have before the road is completed before you are expected to carry mail at all. It seems to me that the passenger and freight traffic in that particular stand exactly on the same basis, and that the mail should not be charged with any part of the expenses, either of the freight or the passenger.

The CHAIRMAN. You look on mail as a by-product?

Mr. LLOYD. Certainly it is a by-product.

The CHAIRMAN. And the express is a by-product?

Mr. LLOYD. Certainly.

The CHAIRMAN. And the milk?

Mr. LLOYD. Certainly; and they have always treated them that way. They speak of it as a combination service. The railroads of the United States to-day, I think I can safely say, regard the carrying of the mail as an accommodation to the Government, and while they are accommodating the Government they feel they ought to have reasonable compensation for carrying it just like they would for carrying any other by-product. But the serious question open right here is how much of the operating expense should be charged to the mail.

Mr. BRADLEY. Would not this be a fair reflection? Why not, in connection with passenger service, regard this generation as a by-product, that the railroad was built for the last generation and that this generation is a by-product of the last and should not be charged any rate that would render a return to the railroad?

The CHAIRMAN. You are increasing your facilities all the time, your track and equipment, to take care of the increase in business.

Mr. LLOYD. And you are making this generation pay the cost. You did not pay for it to start with.

The CHAIRMAN. I would like to hear the comments of the railroad gentlemen on Mr. Lloyd's question.

Mr. BRADLEY. It would seem to me, Mr. Chairman, when we go into the realm of comparing the outgo and the income we have to part company with all ideas of noncontribution on the part of any particular factor. It is often said in the case of a passenger, "This train is going from New York to Chicago; why can't I be carried free? It will be no more expense to the company," which, no doubt, is true. It is an expense that could not be measured, but it seems to me just as soon as you enter the realm of comparing expenses with revenue, you have to charge each factor in the problem with its due proportion of one or the other.

Mr. LLOYD. In that connection do you think it would be fair to charge to freight anything that you expend on account of the mail car and the equipment of the mail car?

Mr. BRADLEY. Of course in seeking to apportion your expenses you must first survey the entire structure and you will see that it is

made up of two grand divisions, freight and passenger service; you next observe the mail service associates itself with passenger service.

Mr. LLOYD. No; it does not until you have the railroad, the passenger service, and the freight service. After you have all that, then you undertake to carry the mail, and we want to get at the question what it costs you to carry the mail, and it seems to me it is no more right to charge freight expense to mail than it is mail expense to freight; it is no part of the expense of carrying the mail, what you pay on freight agents and the men who are handling and disposing of the freight. My own candid judgment is that you have no right to charge up the ticket agent for any service that is rendered in connection with the passenger service specifically to mail, and you do not charge that any more to mail than you would charge the equipment of the car and the car itself to passenger or to freight.

The CHAIRMAN. Would you extend that to overhead charges, to management, and things of that kind? They would be the same whether they carried the mail or not.

Mr. LLOYD. Yes. They are the same whether they carry the mail or not. They have to have a general superintendent and all the officers of the company. They have to have the directorate, and all that has to be whether you carry a single pound of mail or not.

Mr. WISHART. Does not that mean that you would have to go into a separate accounting for all expenses? It leaves out of the equation any refinement of that kind to say that a very small volume of mail should bear its percentage of all the passenger business? Mr. Rowan makes a case of special carriers around the station employed for the mail service.

Mr. LLOYD. That is a side service which you claim the Government ought to pay for.

Mr. WISHART. That is station service.

Mr. ROWAN. I mentioned a number of special facilities, where we had a number of men employed at Grand Central Terminal working exclusively on the mail.

Mr. LLOYD. Every man employed by the railroads to render exclusive service to the mail ought to be charged to the mail.

Mr. SNEAD. Why exclusively?

Mr. LLOYD. You are speaking of men performing exclusive service. Every man who performs exclusive service for the benefit of the mail ought to be charged to the mail.

Mr. WISHART. That might be done, but there are so many cases where there are joint employees that it would be rather difficult to keep an accurate account.

Mr. LLOYD. That would be an exception where you would have to work it out on an equitable basis, but where the person is employed specifically for handling the mail, or in connection with mail facilities, that service, whatever it is, ought to be charged to the mail.

Mr. BRADLEY. Why should you not there say, in following out your own line of thought, that that joint employee would be there anyway for the general railroad business, and that no part of his time should be charged to the mail?

Mr. LLOYD. I am taking it for granted he is rendering additional service for which he should receive additional pay, and whatever additional pay he received on account of mail ought to be charged to the mail. If he does not receive any additional compensation at

all because he has rendered service for the Government, and if it does not cost the railroad company any more, then the railroad company ought not to receive the pay. If that man must necessarily be there, the railroad company is going to pay him the same amount whether the mail is carried and handled or whether it is not carried or handled; then that individual ought not to be charged to the mail.

The CHAIRMAN. Suppose in that connection 50 per cent of his time could be utilized to earn something that is now occupied in handling something for the railroad company?

Mr. LLOYD. That 50 per cent ought to be charged to the handling of the mail.

Mr. SNEAD. Suppose a man in his day's work performs 100 pieces of work and one of the hundred is handling mail. Why should not that mail be charged with one-hundredth part of than man's salary?

Mr. LLOYD. It ought to.

Mr. MACK. Is not that an index of the whole proposition?

Mr. SNEAD. And why should not a mail car be charged with a certain amount of wear and tear, and wear and tear on tracks, and maintenance, of rent of rooms the mail service occupies in the passenger stations, and all those common expenses?

Mr. LLOYD. I should say that a mail car in a station, if it cost the railroad company anything to maintain the station, if it has to pay rent on its own property, a reasonable compensation might be charged to the mail. I am perfectly willing that everything should be charged to the mail that belongs to it; whatever is a mail charge ought to be charged to the mail, but my theory is this: You have your trains, your roadbed, and having the road and the road in operation, and you have your passenger traffic and your freight traffic, and your freight agents. Now, you carry the mail. Whatever additional expense comes to the railroad for carrying the mail, that expense ought to be charged to the mail account, and every dollar of it should be compensated.

Mr. SNEAD. You get off of the realm of facts into metaphysics, where nobody would ever have a foot on the ground.

Mr. LLOYD. The misfortune with this investigation is it is largely in metaphysics.

Mr. SNEAD. That is the difficulty in trying to ascertain what it does cost to perform any transportation service. It is a plant just the same as a manufacturing plant is, but the manufacturing plant produces one, two, or three different kinds of goods, whereas the transportation plant manufactures 500,000 kinds of goods.

Mr. LLOYD. You yourself make a distinction between freight and passenger. You charge to freight that which belongs to freight, and you charge to passenger what belongs to passenger. Now, what we would like to have done is for you to charge to what you call passenger service in its three divisions the individual cost of carrying the baggage, carrying the express, and carrying the mail, and assign to mail that which is its legitimate expense, and that to express which is its legitimate expense, and that to passenger which is its legitimate expense. When we have worked that out completely we have the whole solution of the thing we are passing on now.

Mr. HURST. I take exception to one remark, and that is that the railroad separates its expenses to passenger and freight. It is not passenger and freight traffic, but it is the passenger and freight trains

in which they divide their expenses. Not the traffic, but the trains. Now, we further segregate the train as between the cost of hauling these three commodities.

Mr. LLOYD. Do you separate in your expense the freight agent from the passenger agent?

Mr. HURST. Yes.

Mr. LLOYD. Do you not take the freight agent and put that in the expenses of the freight train, if I may use your expression?

Mr. HURST. Yes, sir.

Mr. LLOYD. And you take the passenger agent and use him in connection with the passenger service?

Mr. HURST. Yes, sir.

Mr. LLOYD. Then there is no difference between us. That is what you ought to do.

Mr. HURST. That is an element in the running of that train. That is what he is hired for, for the purpose of preparing passengers to ride on that train, or the mail or the baggage or the express or anything that comes to his station. It may be his duty to put a sack of mail on or anything at all that refers to the passenger train. Therefore his pay is chargeable to that train, and the mail is an element in that service.

Mr. LLOYD. We do not differ about that.

Senator WEEKS. What are you going to do with a train that carries both passenger and freight?

Mr. HURST. There has been an arbitrary used. As it happens, the Pennsylvania does not have anything of that sort on its lines west of Pittsburgh, so I can not give any opinion on that. There has been a proposition by the Interstate Commerce Commission in calculating statistics that the element of miles of mixed trains used in both services should be considered both as freight and passenger traffic.

Mr. MCBRIDE. How about a station where a station agent performs both freight and passenger service?

Mr. HURST. We attempt to divide his pay on the basis of the time employed in the various services.

The CHAIRMAN. That is necessarily an arbitrary.

Mr. HURST. An arbitrary based on the agent's report of the time occupied.

The CHAIRMAN. And where you have a mixed train a division is made and a charge made both to freight and passenger.

Mr. HURST. We do not have mixed trains. I can not say what the rule is by roads that have mixed trains.

The CHAIRMAN. Have you any mixed trains, Mr. Rowan?

Mr. ROWAN. On some of our branch lines we might have, but I do not recall any now. Some of our branch lines in Pennsylvania might have some mixed trains.

Mr. LORENZ. Mr. Rowan enumerated certain objections to the space basis payment. I think he numbered them 1, 2, 3, and 4. I think, however, he did not elaborate them especially, and I am not sure that I understand exactly what the conditions were in each case. For example, Mr. Rowan, you said that the space basis was objectionable because it was not definite. I do not quite understand why it is not possible to have a measurement for a certain number of

days in the year, just as you have a weighing of the mail for a certain number of days now.

Mr. ROWAN. No. You misunderstood me. I said the difficulty in arriving at any definite or accurate basis on which to compute cost.

Mr. LORENZ. I understand, then, your objections to the so-called space basis were really objections to a cost basis and not to the space basis?

Mr. ROWAN. Arriving at the cost of paying for space.

Mr. LORENZ. Is it proper in that way to mix space and cost? You could have a space basis based on revenues instead of cost.

Mr. ROWAN. Then I tried to show the varying rates of pay and the fact that it would put in the hands of the Postmaster General the entire power to determine what the railroad should be paid.

Mr. LORENZ. Why does a space basis necessarily place in the hands of the Postmaster General any more power than any other basis, if you have it properly limited in the law?

Mr. ROWAN. Because he determines the amount of space that shall be used, and if they should use the present yardstick of separations, and we have no access to the——

Mr. LORENZ. Your objection is to the measurement of space, rather than the space basis. Why would it not be possible to provide a method of determining space that would not be arbitrary, in the hands of one man?

Mr. ROWAN. I do not know. I have not heard of any such basis.

Mr. LORENZ. I simply wished to bring out clearly that the objections of Mr. Rowan to the space basis are really not objections to the space basis itself, but are objections to a proposed or possible method of applying that basis.

Mr. ROWAN. Yes; there are objections to the space basis.

Mr. LORENZ. I do not now that you have mentioned any. Which one is an objection to the space basis?

Mr. ROWAN. The difficulty in arriving at a definite or accurate basis of cost.

Mr. LORENZ. What has cost to do with the space basis?

Mr. ROWAN. How are you going to pay for the space?

Mr. LORENZ. You could pay for the space on the principle that it should earn the same revenue as your passenger service and have nothing to do with the cost. The two are independent things.

Mr. ROWAN. Then the fair rates of pay are based on the cost?

Mr. LORENZ. That is again a cost objection and not a space objection.

Mr. ROWAN. Then, the friction that I feel there might be with the Post Office Department in arriving at the amount of space which they used?

Mr. LORENZ. That would depend, then, entirely on the way in which the law specified the determination of the amount of space. In other words, I think you have not touched the theoretical objections to the space basis as much as the administrative questions which have been associated with it in the discussions?

Mr. LLOYD. Is not this true, after all, Mr. Rowan: Is it not true that your real objection to the space basis is that, first, you will not receive as much compensation under the space basis system as you do under the weight basis system, and, second, that you would have

more trouble in the administration on the space basis system than you would under a weight basis system?

Mr. ROWAN. The latter objection is my principal one.

Mr. LLOYD. Is not the first one the real one?

Mr. WISHART. Not if we were paid on the passenger basis. We would get more.

Mr. LLOYD. You people are objecting to the space basis, and there is not one of you who would object to it, I am sure, if you knew you were going to get more money by reason of having the space basis for the service you render, unless the administrative features, which would cause you annoyance to such an extent that you would consider that an offset for that which you would receive additional pay on account of the space basis?

Mr. ROWAN. I think that the administrative feature is a very serious one. Part of our pay now is on a space basis and, as I said in my testimony, most of my work with the Post Office Department is on the question of space, because they use one yardstick and I use another. They use the number of separations and I use the number of feet inside of the car and we never do agree.

Mr. LLOYD. If that is the only thing in the way, we might make the law such that it could be easily demonstrated and avoid that trouble. The law might be changed so that the space basis, if that is to be adopted as the basis, could be adopted and the adjustment on account of space used could be gradually ascertained. Now, if you knew that was going to be, then your objection as to the administration would not exist?

The CHAIRMAN. That is, it could be specified in the law.

Mr. LLOYD. Yes. I readily understand your objection, and I think it is a good one. I can see where you people have ground to complain already if we go into the space-basis theory with the present idea of how that space is to be determined and by the system of accounting that has already been made and by the system of management to-day with reference to the space basis, that you do not want to be annoyed by an administrative officer saying you are going to get pay for so many feet in this car and you are not going to get any more, but if the law specified just what you should receive and determined the space, then the administrative officer would have nothing to say about it, it would be fixed by law. For instance, if you use a 40-foot car and use at the instance of the department and receive pay for the 40-foot car, then there would be no further trouble, but now, in the administrative feature under the present arrangement you have trouble in determining the basis of pay that is determined on the question of weight and space combined. It is the administrative feature now, in connection with weight and space, that you have trouble with.

Mr. ROWAN. As it is now they might say they wanted 40 feet, and we might furnish a 60-foot car because we have only 60-foot cars, and we would have no way of telling whether the department uses the 60 feet or the 40 feet.

Mr. LLOYD. You do not care.

Mr. ROWAN. If we are paid on a space basis, we do care.

Mr. LLOYD. If you furnish the space the Government could use it or not?

Mr. ROWAN. If they asked for 60 feet——

Mr. LLOYD. If the space were determined by the law in some way so that there was no question about it, you would have no objection to it?

Mr. ROWAN. I can not get my mind away from the present basis at all.

Mr. LLOYD. Your trouble now is all about space. If the law fixed the space, then there would be no trouble about it. The Post Office Department contends, and it seems to me rightfully, that if they insist on a 40-foot car and you furnish a 60-foot car because you have not a 40-foot car, or because you do not want to use a 40-foot car, that you ought to have pay for a 40-foot car because that is what they demand.

Mr. ROWAN. A 60-foot car is a standard car, Mr. Lloyd, and we would not build anything but a 60-foot car. I do not know any railroad to-day that would build a car under 60 feet.

Mr. LLOYD. If they demand, under existing regulations, a 40-foot car, you do not get paid for a 60-foot car?

Mr. ROWAN. No.

Mr. LLOYD. What is the trouble between you and they? They say they do not need a 60-foot car; we only need a 40-foot car, and under the law they have a right to fix the space, but if the law was such as to protect you and leave nothing to the administrative to determine except whether the car was to be used or not, then you would be relieved of your srouble. In other words, the trouble now is that you get paid for a 30-foot car, a 40-foot car, and a 60-foot car. The Government says we want a 40-foot car, you have not got it, and you use a 60-foot car. You do that on your own account, and you say you ought to have pay for a 60-foot car, because you have used it. The Government says no; we do not ask for a 60-foot car; we ask for a 40-foot car. That is the source of your trouble to-day. Now, if that law was changed so that there was a uniform car and there were no cars except 60-foot cars, there were no 30-foot, 40-foot, or 50-foot, cars, but one class of cars, and that was a 60-foot car, and when you furnished a 60-foot car you got paid for a 60-foot car, the question, so far as the administration was concerned, would be overcome?

The CHAIRMAN. How about that case, if there was one standard car?

Mr. ROWAN. That would relieve the situation a great deal, but in my contention with the department I recognized a 40-foot car a 50-foot car, and I never tried to get pay for a 60-foot car when they ask for 40 feet, because I know they can not give it. I would like to get it, and I can see a good many reasons why we should get it, but I have never asked them for it because, according to the present regulations, they only need 40 feet of space, and that is all they are going to pay for.

Mr. LLOYD. What I was getting at is, if that was regulated by law, so that there was only one car, and that was the 60-foot car, then all the trouble you have now about a 40-foot car and 30-foot car would be eliminated?

Mr. ROWAN. It would, if you pay for the space in the car instead of the number of separations made in the car as at present.

Mr. LLOYD. That is an administrative question thus far, and that might be relieved by the law if the law was such, and I think it ought to be such, if you furnish a 40-foot car it does not make any difference

to you how many separations there are, and the law ought to be such that the Government has nothing to do with that. If they demanded a 40-foot car and you furnished it, you ought to have pay for a 40-foot car, and if you furnish a 60-foot car instead of a 40-foot car, on your part you did that voluntarily and you would still get paid for a 40-foot car. I do not believe in governmental regulation with reference to the distribution basis, and while the Government is doing all right, I believe the law ought to be changed so that that administrative feature would not be a bone of contention between the railroads and the Government.

The CHAIRMAN. That is expressed in the law itself?

Mr. LLOYD. Yes.

The CHAIRMAN. How would it be to have two standard cars, one 30 feet and one 60 feet, and only have two kinds of cars—that is, apartment cars and a 30-foot standard and a 60-foot standard—and whether you used 1 foot or the whole 60 the Government has to pay for that? Could not the postal department conform to that?

Mr. MCBRIDE. We could do it, but I think it would cost a great deal more money.

The CHAIRMAN. Wherein?

Mr. MCBRIDE. Because we do not need 30 feet everywhere.

Mr. LLOYD. Now we are talking about a space theory. Suppose you abandon the weight basis altogether and the railroads get paid according to the space used, if they furnish you a 30-foot car at your suggestion they ought to be paid for a 30-foot car, whether they used 1 foot or 30. If you demand a 60-foot car, if you use 1 foot, that is your business, and if you use 60 feet it is their business.

Mr. MCBRIDE. There might be lines on which we would not need more than 15 feet for service. If we had nothing but 30-foot cars we would have to pay for 30 feet instead of 15 feet in such cases.

Mr. LLOYD. It costs them just as much to furnish you a 30-foot car as it would a 15-foot space in that car, and if they furnish you a 30-foot car the Government ought to pay for it.

Mr. MCBRIDE. If it is a 30-foot car, but if only 15 feet are needed we should pay for only 15 feet.

Mr. LLOYD. If you take a 30-foot car you ought to pay for it. Now, if you demand 15 feet of space, and only 15, and the law permits you to call for 15 feet of space, then you ought to pay for 15 feet, but if there is no provision for this 15 feet and there is no provision for the 30-foot space and you use a 30-foot car you ought to pay for the 30-foot car.

Mr. MCBRIDE. We would have to, if the law read that way.

Mr. LLOYD. If the law read that way it would avoid your administrative trouble.

Mr. MCBRIDE. I believe it would eliminate most of it.

Mr. LLOYD. It would avoid their administrative trouble, and then the only question to be determined on the part of the Government would be, What is reasonable compensation for the space used? Does not that relieve the situation so far as the administrative features are concerned?

Mr. MCBRIDE. It would probably relieve the administrative difficulties with the railroad companies.

The CHAIRMAN. That would leave your pouch service as it is to-day, and you would have three units, a 30-foot car, a 60-foot car, and a pouch service, and you would have to pay for it.

Mr. LLOYD. From a railroad standpoint, if they furnished a 30-foot car it costs them just as much full as empty. They do not know whether you have any mail in it or not; the expense to them is just the same.

The CHAIRMAN. Would there be any question as between the departmental representatives and the railroads under any such system as that, if it was adopted?

Mr. ROWAN. I think it would be largely eliminated, but I would like to know what the rate of pay would be for the car?

Mr. LLOYD. That is not the question, because if we reach a space basis as the proper basis for the determination of pay, then the next question is, What should you receive for the space?

The CHAIRMAN. Before we leave that space basis, Mr. McBride says it would cost the Government a great deal more under that plan. I would like for him to explain to me, if you have a 60-foot car, a 30-foot car, and a pouch service to limit yourself to—and those are all the units you have, and you have to adjust yourself to those three measures—where it is going to cost the Government so much more?

Mr. MCBRIDE. I had in mind the present rates of pay. Possibly, if the rates of pay under the proposed law were appropriate, it would not cost any more.

The CHAIRMAN. Well, taking the present rate of pay, where is it going to cost the Government so much more?

Mr. MCBRIDE. Because we would pay for 60-foot cars in cases where we now pay for 40 or 50-foot cars.

The CHAIRMAN. You would save $1,600,000 every four years for the cost of weighing. The Government would pay that.

Mr. MCBRIDE. Yes, sir.

The CHAIRMAN. And it would not require any weighing at all. You would take an arbitrary for the number of pouches, under the assumption that a pouch was equivalent to so much weight, and you would pay so much per pouch, and you have that information already under your present method of administration—the number of pouches.

Mr. MCBRIDE. We could get it. I haven't that information tabulated.

The CHAIRMAN. Is it available?

Mr. MCBRIDE. Yes.

Mr. LLOYD. Mr. McBride, you see what I am driving at. It is not a question of what the pay should be, but the question of what basis should be used, should it be a weight or space basis. The railroads are insisting they did not want the space basis because of the administrative features. Now, if we can remove the administrative features, so far as that is concerned, and there is nothing for you people to do and nothing for them to do in the way of administration it simplifies the matter so that when the proper rate is fixed the whole matter is adjusted?

Mr. MCBRIDE. The only possible chance for disagreement would be as to whether a 60-foot car was needed or a 30-foot car.

Mr. LLOYD. That the Government would have to determine for itself.

The CHAIRMAN. I do not see where that disagreement would come in at all, you would ask for a 30-foot car and if they offered you a 60-foot car they would know they would only get paid for 30.

Mr. MCBRIDE. They might contend we needed 60.

The CHAIRMAN. They are not running the department.

Mr. MCBRIDE. They contend at present that the service on certain lines demands greater space than is being paid for.

Mr. LLOYD. Is not this the real contention, that they are furnishing a space which you use and which is not paid for? Is not that really the contention?

Mr. BRADLEY. It might be put stronger than that, Mr. Lloyd, that the railroads are obliged to operate a certain amount of space beyond what the department calls for.

The CHAIRMAN. We thank you very much, Mr. Rowan, for your views.

## STATEMENT OF WILLIAM C. WISHART.

The CHAIRMAN. Mr. Wishart, it will be necessary for you to be sworn.

Thereupon the witness was duly sworn by the chairman.

The CHAIRMAN. Kindly state your full name, residence, and official capacity, if any, with any railroad company.

Mr. WISHART. William C. Wishart, residence, Albany, N. Y.; I am statistician of the New York Central Lines. I would say, Mr. Chairman, I have only been with the New York Central Lines about a month, and was only brought into this case last week. Before that I was with the public service commission of New York for the second district as statistician for about three years.

Mr. LLOYD. Before that where were you?

Mr. WISHART. With the Interstate Commerce Commission, as examiner, for about two years.

Mr. LLOYD. Where were you before that?

Mr. WISHART. I was an assistant auditor for the Dupont Co. I was there for five or six years, and prior to that with different railroads. I will say I do not profess to know a great deal about this question. Mr. Rowan asked me to look into Document 105 and what I am going to say may be only an opinion of little value formed after a hurried inspection of the subject.

### MEMO RELATING TO MAIL REVENUE OF THE NEW YORK CENTRAL LINES.

In document 105, prepared under the direction of the Post Office Department, it is made to appear that the railway mail pay is profitable to the carriers, but the basic figures are incorrect, and therefore any conclusions as to the relative cost of the services must also be incorrect.

In response to requests from the department the several roads comprising the New York Central lines prepared and submitted various statements in accordance with the forms furnished for that purpose, but these figures have been arbitrarily altered and rearranged.

The case of the New York Central & Hudson River Railroad is probably typical of all the roads in this system. The following statement for this company shows some of the figures submitted to the department, and those used by it in the preparation of document 105:

| | Reported by the company. | Used by Post Office Department. |
|---|---|---|
| Total operating expenses | $5,684,916.89 | $5,670,975.41 |
| Taxes | 436,157.20 | 435,068.19 |
| Operating expenses and taxes assigned to passenger service | 2,350,596.86 | 2,096,398.21 |
| Car-foot mileage: | | |
| Mail | 54,095,823.46 | 48,963,759.82 |
| Mail deadhead | ..... | 113,044.20 |
| Passenger | 623,536,321.67 | 628,514,517.96 |
| Passenger deadhead | ..... | 3,285,293.12 |
| Express | 83,978,738.64 | 84,261,407.22 |
| Total car-foot mileage | 761,611,883.77 | 765,138,022.32 |

The company is not advised as to the reason for making the changes indicated. A further reduction is effected in the amount that finally lodges in the so-called cost of mail service by the transfer of mail car space to the space assigned to other classes of service. These transfers and alterations result in changing the percentage relations of the space devoted to the three classes of service as follows:

*Percentage of train space occupied.*

| | Reported. | Used by department. |
|---|---|---|
| | *Per cent.* | *Per cent.* |
| Mail | 7.10 | 6.41 |
| Express | 11.03 | 11.01 |
| Passengers | 81.87 | 82.58 |

The basis of assignment of the expenses was also changed materially, so that the company's statement giving $2,350,596.86 as expenses belonging properly to passenger service was reduced by the department to $2,096,328.91, or by 9.9 per cent of the amount reported.

The proportion determined by the department as applicable to mail service on a car-foot-mile basis is 6.41 per cent of the total passenger-car space, but when this percentage is applied to the amount assigned as cost of the passenger-train service still another cut is found to have been made, and a test shows that the proportion of the whole actually allowed is not 6.41 per cent but 6.19 per cent. The amount assigned by the company to passenger service on account of traffic expense appears to have been eliminated before prorating the total to the classes of service. The traffic department is not one whose attention is given solely to solicitation, and such a department is necessary to the development of any road, and if the removal of such an item as traffic is warranted before dividing the common expenses the same line of reasoning might be extended to other items which

are absolutely necessary to the conduct of a transportation company, but which might not be considered as essential to the mail service.

In working out the statement shown in document 105 upon the basis of cost of service the department's auditors seem, in some instances, to have leaned very far toward regarding the mail service as merely a by-product of transportation and as not obliged to carry its share of overhead charges.

On the basis of assignment made by the New York Central & Hudson River Railroad Co. the passenger service—as distinguished from freight—is charged with only 38.4 per cent of the operating expenses and taxes—$2,350,596.86 out of $6,121,071.49—and in the department's computation this is further reduced to only 34.3 per cent of the amount assigned to operating expenses and taxes, but during the year 1909 the total number of revenue train miles in the two branches of service was divided in the proportion of 54.3 per cent for passenger trains and 45.7 per cent for freight trains. Still this change, coupled with the lowered percentage of mail space, makes the difference between a very profitable business and one that barely pays operating expenses and taxes and nothing for interest upon the necessary investment.

The method of division adopted by the department has the effect of making the relatively small proportion of operating expenses, known as direct charges, govern the assignment of a very large part of the unassignable expenses. For example, the New York Central & Hudson River Railroad reported as expense for ties in the month of November, 1909, $152,238.87, of which $730.17 were assigned by the company to passenger business, presumably because during that month there happened to be applied to passenger tracks, ties of that cost. The balance was distributed by the company on the basis of the relative number of revenue train miles in the two branches of the service. Under the rule of the department, however, two-thirds of this unassigned expense follows what are called the direct charge accounts, and only one-third is divided on the basis of revenue train miles. It appears, therefore, that two-thirds of $151,508.70 was distributed to passenger and freight business on the basis of the ratio that the amounts charged to two groups of a very few freight only and passenger only accounts of small magnitude bear to each other.

If the department's method is understood, the distribution made by it resulted in assigning to freight service $108,552.57 of the tie expense, and to passenger service $43,686.44. As another example, the expense of maintenance of bridges, trestles, and culverts, for which there was reported by the company an expenditure of $67,673.57, was divided under the department's plan, solely on the basis of the direct charges, or as it appears in the proportion of about 20 per cent to passenger and 80 per cent to freight.

To anyone at all familiar with the New York Central road, such treatment of its expenses is unjustified. It has not been possible to determine exactly what is meant by "direct charge accounts" as used in the department's compilations. Of the 116 operating accounts established by the Interstate Commerce Commission, there are only 14 or 15 which may be justly termed "direct charge accounts." These, with the amounts reported by the New York Central for November, 1909, are as follows:

| | Passenger. | Freight. |
|---|---|---|
| Passenger-train car: | | |
| Repairs | $140,812.68 | |
| Renewals | 1,500.00 | |
| Depreciation | | |
| Freight-train car: | | |
| Repairs | | $486,752.25 |
| Renewals | | 146,939.57 |
| Depreciation | | |
| Electric equipment of cars: | | |
| Repairs | 1,120.47 | |
| Renewals | | |
| Depreciation | | |
| Weighing, car-service associations | | 1,235.57 |
| Coal and ore docks | | |
| Loss and damage: | | |
| Freight | | 71,467.22 |
| Baggage | 696.73 | |
| Total direct charge accounts | 144,129.18 | 706,394.61 |
| Percentage of total expense.....per cent. | 2.5 | 12.4 |

One other account, fast freight lines, might be considered a direct-charge account, but it is found to be divided between passenger and freight in November, 1909. It does not seem fair to assume that unrelated expenses, such as for maintenance of tracks or bridges, should be affected by the distribution of these two accounts, but under the department method they are so affected and very seriously, as may easily be determined by referring to the foregoing statement. If in November, 1909, the company had not repaired any passenger cars or damaged any baggage, the direct-charge passenger accounts would have shown no charges, and the so-called assignment would have resulted in the free use of bridges, trestles, and culverts by the passenger trains.

If we take the operating expense accounts of the New York Central & Hudson River Railroad for 1912 and divide all except the direct-charge accounts on a revenue train-mile basis, we shall have assigned to passenger, mail, and express business a cost of $40,041,608.97, and to freight, $41,269,544.33. The total revenues from all passenger business were only $41,959,327.87, which would leave the freight business to carry the burden of all the interest and rents and nearly all of the taxes paid. It is not contended that this division is a correct one. It has been used in important cases, and it is believed to be more nearly in accord with the actual facts than the figures presented by the department.

The management of the New York Central lines has reached no definite conclusions as to what may or may not be done in the way of cost accounting for transportation service. Many methods have been proposed, but it is doubtful if any rule can ever be devised which can be applied equitably to all roads alike for the division of their expenses. If such accounting is to be undertaken, it will be necessary first to change the methods now in use for the distribution of such costs. It does not appear that the department has available the data upon which to base the important deductions it sought to make.

On the New York Central & Hudson River Railroad, with four tracks in its main line, two of which are devoted largely to passenger traffic and maintained at high efficiency for such traffic, conditions are wholly different from those obtaining on the Pittsburgh & Lake Erie. On the latter road the revenue passenger train-miles in 1912

constituted 43.1 per cent of the total revenue train-miles, but such trains produced only 9.4 per cent of the transportation revenues; while on the New York Central & Hudson River Railroad the revenue train-miles constituted 54 per cent of the revenue train-miles and produced 38.3 per cent of the transportation revenues.

For the four larger roads of the system the following statement will show that in the face of greatly increased expenses and capital requirements the mail service has not borne its share of the increasing burden, and the same tendency is observable with the small companies.

It is to be noted that in a 10-year period beginning with 1903 the revenue from mail service has actually decreased on the Lake Shore & Michigan Southern and Big Four roads, has increased only 5.7 per cent on the New York Central, and was on the Michigan Central the same in 1912 as in 1903, although on this road it had materially decreased in 1907 and remained below the basis for five years. These tables show the percentage increase or decrease in each year as compared with 100 per cent for 1903.

NEW YORK CENTRAL & HUDSON RIVER R. R. CO.

| Year. | Total operating revenue. | Passenger revenue. | Express revenue. | Mail revenue. | Total operating expenses. | Taxes. |
|---|---|---|---|---|---|---|
| | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* |
| 1903 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1904 | 101.3 | 102.5 | 114 | 100.4 | 102 | 97.1 |
| 1905 | 111.2 | 109.2 | 120.1 | 113 | 112.1 | 110 |
| 1906 | 119 | 121.1 | 130.7 | 125.4 | 121.5 | 112.5 |
| 1907 | 127.1 | 126.5 | 149.8 | 115.7 | 141.7 | 97.2 |
| 1908 | 111.2 | 117.9 | 150.1 | 114.1 | 114.6 | 115.9 |
| 1909 | 123.5 | 126.5 | 170.9 | 109.8 | 120.8 | 121 |
| 1910 | 132.4 | 135.2 | 172.6 | 106.4 | 138.5 | 128.2 |
| 1911 | 137.8 | 139.4 | 176 | 106.5 | 141.6 | 148.6 |
| 1912 | 145.6 | 145.4 | 198.3 | 105.7 | 152.09 | 161.1 |

LAKE SHORE & MICHIGAN SOUTHERN RY. CO.

| | | | | | | |
|---|---|---|---|---|---|---|
| 1903 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1904 | 101.3 | 98.6 | 105.3 | 112.9 | 105.7 | 109.3 |
| 1905 | 109.4 | 106.7 | 118.1 | 113.4 | 118.3 | 109.3 |
| 1906 | 120.6 | 121.1 | 126.2 | 113.4 | 133.3 | 149.8 |
| 1907 | 127.5 | 135 | 133.7 | 110.3 | 144.5 | 135.4 |
| 1908 | 112.4 | 133 | 167.1 | 108.5 | 123.3 | 148.3 |
| 1909 | 129.7 | 150 | 171.9 | 105.4 | 137.1 | 151.9 |
| 1910 | 142.1 | 164.3 | 188.8 | 105.3 | 170.4 | 179.1 |
| 1911 | 139.1 | 168.4 | 199.8 | 108 | 158.7 | 174.3 |
| 1912 | 156.1 | 175.1 | 227.3 | 97.9 | 173.8 | 184.4 |

MICHIGAN CENTRAL R. R.

| | | | | | | |
|---|---|---|---|---|---|---|
| 1903 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1904 | 95.3 | 94.5 | 95.8 | 104.3 | 94.8 | 125 |
| 1905 | 102.9 | 102.5 | 131.1 | 104.4 | 104.9 | 108.2 |
| 1906 | 116.3 | 116.3 | 121.4 | 104.6 | 120.9 | 112.7 |
| 1907 | 126.4 | 128.3 | 167.3 | 98.8 | 128.7 | 113.4 |
| 1908 | 107.4 | 121 | 140.2 | 95.2 | 105.7 | 124.3 |
| 1909 | 121.5 | 133.3 | 167.7 | 94.2 | 102.9 | 126.1 |
| 1910 | 131.6 | 147.9 | 204.8 | 99.3 | 120.3 | 152.6 |
| 1911 | 133.7 | 152.1 | 199.2 | 94.8 | 118.7 | 148.8 |
| 1912 | 145.9 | 164.5 | 216.9 | 100 | 128 | 155 |

CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RY. CO.

| Year. | Total operating revenue. | Passenger revenue. | Express revenue. | Mail revenue. | Total operating expenses. | Taxes. |
|---|---|---|---|---|---|---|
| | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* | *Per cent.* |
| 1903 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1904 | 108.3 | 128.9 | 125 | 117.5 | 109.8 | 96.4 |
| 1905 | 109.8 | 110.3 | 135.9 | 119.1 | 116.6 | 105.4 |
| 1906 | 119.8 | 120.5 | 143.2 | 119.1 | 127.3 | 118.1 |
| 1907 | 129.1 | 123.3 | 188.2 | 112.9 | 139.1 | 119.9 |
| 1908 | 120.5 | 118.2 | 167.8 | 108.9 | 132.9 | 128.2 |
| 1909 | 137.4 | 127.5 | 173.7 | 111 | 136.2 | 124.7 |
| 1910 | 151.1 | 138.2 | 201.9 | 109.8 | 162.3 | 134.9 |
| 1911 | 151.2 | 138.3 | 197.8 | 109 | 156.7 | 150.9 |
| 1912 | 162.5 | 137.8 | 211.9 | 98.8 | 168.3 | 169.5 |

If there had been imposed upon the carriers the same proportionate reduction in freight, passenger, and express revenues as was brought about in the mail revenues during the years 1906–1909, three of the principal roads of this system would have been unable to meet their fixed charges out of the year's earnings, to say nothing of dividends. This may be seen in the following statement, showing effect of the same rate of reduction upon all classes of revenue as was applied by the Government to the mail service during the years 1906–1909:

| | New York Central & Hudson River. | Lake Shore & Michigan Southern. | Michigan Central. | Cleveland, Cincinnati, Chicago & St. Louis. |
|---|---|---|---|---|
| Mail revenue, 1906 | $3,007,462.96 | $2,287,254.04 | $454,594.24 | $782,577.02 |
| Mail revenue, 1909 | $2,633,969.85 | $2,124,186.70 | $409,212.23 | $729,272.38 |
| Ratio 1909 to 1906 | 87.58 | 92.87 | 90.02 | 93.19 |
| Total operating revenue, 1906 | [1] $89,773,883.30 | [1] $41,949,754.39 | [1] $26,250,725.77 | [1] $24,107,189.40 |
| Decreased for 1909 by same ratio as mail revenue | 78,623,966.99 | 38,958,736.90 | 23,630,903.34 | 22,465,489.42 |
| Operating expenses, 1909 | [2] 68,905,855.31 | [2] 28,524,967.77 | [2] 19,040,607.34 | [2] 20,073,357.94 |
| Net operating revenue | 9,718,111.68 | 10,433,769.13 | 4,598,398.00 | 2,392,131.48 |
| Taxes accrued | 4,434,504.32 | 1,458,905.00 | 1,121,531.99 | 878,328.26 |
| Operating income | 5,283,607.36 | 8,974,864.13 | 3,121,531.99 | 1,513,803.22 |
| Other income, 1909 | 11,392,858.86 | 6,486,887.28 | 941,480.65 | 623,232.87 |
| Gross corporate income | 16,676,466.22 | 15,461,751.41 | 4,418,346.66 | 2,137,036.09 |
| Deductions from gross corporate income | 22,046,936.46 | 10,382,049.39 | 5,812,238.76 | 4,858,240.77 |
| Income or deficit | d 5,370,470.14 | [3] 5,079,702.02 | d 1,393,892.10 | d 2,721,204.68 |

[1] Excludes rentals.
[2] Sum of expenses for rail operations and expenses for outside operations. Both are taken because 1906 operating revenue includes both kinds of operations.
[3] Net corporate income available for dividends.

NOTE.—If during the 10-year period 1903–1912, other revenues had been held down to the basis established by the Post Office Department, and expenses had increased as they have, all these roads would now be hopelessly bankrupt and unable to pay their operating expenses alone, with nothing for taxes and other charges.

Senator WEEKS. That all goes back to the question of whether the compensation which the railroads received in 1903 was too high?

Mr. WISHART. Yes.

Senator WEEKS. Have you anything to say about that?

Mr. WISHART. No; I have not. I am informed that the relative service was about the same in 1903 as in 1912; that is, the mail occupied the same proportion of the space in the trains and made about

the same car-foot miles, but I am not sure about that. I can not testify to that.

The CHAIRMAN. To your mind, is there any difference in compensation that should be received in passenger service, express service, and the mail service?

Mr. WISHART. Well, the tendency in all the accounting that I know of has been to segregate the two great classes of service, passenger and freight. I can not see any reason why the mail service should not pay its proportion of the cost of passenger business, because we must consider on any basis of division made so far that relatively the passenger business is the unprofitable end of the transportation business as a whole.

The CHAIRMAN. What are the analogous requirements as between passenger and mail service?

Mr. WISHART. You mean in the way of service by the railroad companies?

The CHAIRMAN. Yes.

Mr. WISHART. I do not know that there is any analogy, except in transportation and station service, possibly.

The CHAIRMAN. Is it because of that definition, that mail is made part of the passenger, that they should receive the same relative compensation?

Mr. WISHART. It requires the same service at the hands of the railroad company; yes.

The CHAIRMAN. To your mind there is no difference, then, in the requirements of the service?

Mr. LLOYD. The mail does not add any requirements?

Mr. WISHART. It does in some cases. I do not know that I am prepared to testify about that, but I understand it requires sides ervice and things of that kind. I do not care to go into that, because I am not familiar with the subject.

Mr. BRADLEY. Could you say, if you have the information, how your computation for November, 1909, developed the case of the New York Central in comparison with the Post Office Department's presentation as to the relative profit and loss? Did your revenue from mail service cover your operating expenses and taxes chargeable to mail service?

Mr. WISHART. In November, 1909?

Mr. BRADLEY. Yes.

Mr. WISHART. If we use the basis for ascertaining the cost they did; it did. If we use the basis that has been recommended in other cases, the train-mile, for dividing expenses, it barely did. I figured it up, and I think it was something like 97 per cent of the revenues.

Mr. BRADLEY. But made no contribution to capital at all?

Mr. WISHART. No.

The CHAIRMAN. As to the express business of the New York Central, in your computation did you go into that?

Mr. WISHART. Yes.

The CHAIRMAN. How does it show from an earning standpoint as compared to mail?

Mr. WISHART. On some lines it pays more than its percentage of expense as determined by the car space occupied. On some it pays less.

The CHAIRMAN. Is there any basis of computation on the New York Central lines where it would be shown that company received a greater compensation from the express than it did from the mail?

Mr. WISHART. It does, in the aggregate; much more.

The CHAIRMAN. That depends on the volume of business, but adopting any system of unit, in order to get the relativeness between the two services.

Mr. WISHART. I think there are some things in there, Senator, you can not measure. The car-foot-mile basis is a basis of transportation, but there are other things in there you can not measure in money by any method that I know of; for instance, collateral service rendered by the express companies and other things that are generally brought out by witnesses in the case; for instance, the express companies transport the railroad companies' money to its treasury, and they take care of their own employees.

The CHAIRMAN. And the Government does nothing at all except to handle the mail for the transportation companies?

Mr. WISHART. Yes.

The CHAIRMAN. Your books show that you get a greater revenue from the express than from the mail on the system as a whole?

Mr. WISHART. Yes.

Mr. LORENZ. Have you worked out the percentage of the common expenses which the Post Office Department assigned to passenger by their direct charge method, as compared to the train-mile percentage? You gave the actual figures, but I do not know whether you put it on a basis of percentage.

Mr. WISHART. No; I did not. I took the figures as I found them in Document 105, but I did not work out the percentage. I did not know what percentage of all expenses they were able to assign directly; in fact, I could not determine the method.

Mr. LORENZ. I do not question your criticism that on a road like the New York Central, which does not have a system of apportioning all those expenses which can be apportioned to the passenger or to freight, the direct charge method is rather unfortunate. It certainly is absurd to assign maintenance of way expenses in the proportion in which the few tracks which you happen to have exclusively for passenger or exclusively for freight might be divided, but I thought possibly, by accident, it might have been worked out with reasonable satisfaction as between the two services. I think you showed that the train-mile method was about half and half?

Mr. WISHART. Yes.

Mr. LORENZ. If they worked out about a third, it may be that their results are not so absurd, because my contention is that the train-mile method assigns the maximum proportion to passenger service, because the train mile is something different in the two services.

Mr. WISHART. Well, as I showed here in the case of the New York Central and the Lake Erie, I do not believe that any one method will ever be devised that will be applicable to all roads. The New York Central, as I said, is going to take up this question of cost accounting as soon as they can get to it.

The CHAIRMAN. With your experience, and with what knowledge you have of the railway-mail question, do you believe it is possible to evolve a plan that will be universal in its application?

Mr. WISHART. No, sir; I do not.

The CHAIRMAN. You think that is an absolute impossibility?

Mr. WISHART. I do.

The CHAIRMAN. Will it be necessary to make a separate contract with each one of the 795 railroads with which the Government has mail contracts?

Mr. WISHART. If you are going to base it on cost of service, it will.

The CHAIRMAN. Do you think the cost of service is a prerequisite for the solution of any problem?

Mr. WISHART. That does not seem to be a prerequisite in other rate making. I do not see how it could be used as a factor in the present state of the art of accounting.

The CHAIRMAN. Then what is the use of endeavoring to use that as a factor if it is unascertainable?

Mr. WISHART. I do not believe it has been done as yet.

The CHAIRMAN. Do you think it would be possible to group the railroads in the United States and make separate contracts with each one of the groups that would be equitable to each one in the groups?

Mr. WISHART. You mean territorial groups?

The CHAIRMAN. Territorial groups, along the line the Interstate Commerce Commission has worked out.

Mr. WISHART. No; I do not. I do not think the territory has so much to do with it as the service they are rendering.

The CHAIRMAN. Does not the geographical grouping make the environment practically the same for the roads in the same group?

Mr. WISHART. No. The New York Central is much more a passenger road relatively than the Pennsylvania and practically in the same group.

The CHAIRMAN. Then how would you suggest a grouping if not territorially?

Mr. WISHART. I have not studied the question long enough to be able to tell you that.

Mr. LLOYD. He answered a moment ago he did not think they could be grouped.

Mr. WISHART. If you could do it, it would be more nearly according to the nature of the physical characteristics of the road and the service they are rendering.

The CHAIRMAN. That would necessarily be an arbitrary grouping?

Mr. WISHART. I think so.

The CHAIRMAN. We are very much obliged to you for your views.

## STATEMENT OF MR. H. E. MACK.

The CHAIRMAN. Mr. Mack, it will be necessary to be sworn.

The witness was thereupon duly sworn by the chairman.

The CHAIRMAN. Mr. Mack, we are anxious to hear from you why the Government should pay more for mail transportation than the public should pay for passenger service.

## RAILWAY MAIL PAY SHOULD MORE THAN EQUAL PASSENGER-TRAIN EARNINGS.

Mr. MACK. While scarcely attaining the importance of an issue, the question has been raised, during the progress of the hearings by your honorable committee, whether the railroads should earn as much from transportation of the mail as they derive from other transportation service, and at your request I have made this memorandum, summarizing my views on that particular phase of the question before your commission. I would unhesitatingly say that it should, for the transportation service alone, and furthermore there should be additional pay for extra requirements.

According to my view, the transportation of the mail is a business matter, pure and simple (certainly it is such from a railroad standpoint), should be regarded and treated as such, and divested of sovereign power of the Government. It is not necessary to exert sovereign power to compel service from the railroads, for, while on the one hand the Government in administration of the postal service, which transportation business it has assumed, is compelled to avail of the railroad transportation in exercising this function—there being no other mode of general transportation—the railroads, under stress of public necessity, must and do carry the mails and are necessarily dependent upon the fairness of Congress for adequate rates and reasonable conditions; to decline to carry the mail would be regarded by the public as a defiance of the Government.

Under the circumstances, the railroads of necessity "accept and perform mail service under the conditions prescribed by law and the regulations of the department."

Note Supreme Court decision of June 7, 1912, as follows:

> For public policy requires that the mail should be carried subject to postal regulations, and that the department and not the railroad should, in the absence of a contract, determine what service was needed and under what conditions it should be performed. The company in carrying the mails was not hauling freight, nor was it acting as a common carrier, with corresponding rights and liabilities, but in this respect it was serving as an agency of Government, and as much subject to the laws and regulations as every other branch of the post office.

It seems to me, therefore, that in view of these circumstances, Congress is under the highest obligation to pay the railroads adequately for the transportation of mail.

It is to be borne in mind that the Government, in the matter of mail service, is conducting a transportation business for the people, and collects postage from the people for such transportation and collection and delivery of service, and out of that postage it would seem there should be no hesitation in paying an adequate amount for the transportation service on practically every mile of railroad and practically every passenger train in the country, which form the very foundation of and which is vital to efficient postal service, such as the people expect, yet the railroads receive only about 21 cents out of the dollar of postage collected, the balance being employed in the collection, delivery, and administration service. It is remarkable that the Government has been enabled to expand and inaugurate a free-delivery service throughout the country on over 40,000 routes with an annual cost of $47,500,000 and to make large increases in salaries of working forces in recent years without any increase in

postage rates. The railway mail pay has been cut, however, during this period approximately $8,000,000 per annum.

During the same period, 1907 to 1912, increases have been as follows in operating revenue on the railroads:

| | |
|---|---|
| Passenger | $104,035,657.00 |
| Freight | 157,153,002.00 |
| Express | 17,402,069.00 |
| Mail | 1,933,230.20 |

While the increased pay to the railroads for mail has been only $1,933,230.20, the Government has collected increased postage amounting to $63,159,010 during this five-year period.

With these preliminary remarks of a general nature, I would say the railroads are entitled to earn as much or more from the mail service as from other passenger service.

First. Because the railroads are enterprises operated upon private capital, and as the mail is a participant in the activities of transportation and use of the property and capital employed, the mail should be in the same relationship, and having the same rights as to privilege, should be on the same footing as to earnings as other transportation, such as freight and passenger service. To hold differently would approach a confiscatory process; otherwise, the law and the courts must permit any deficiency from inadequate mail pay to be recovered from the passenger or freight service, the effect of which policy would be to put the whole people of the country in the attitude of shifting upon the individual shippers of freight, or passengers who traveled, such a deficiency, for railroad capital has its undoubted constitutional right to lawful earnings.

Second. I think the railroads should earn as much from mail transportation as other passenger-train service, for the principal reason that the mail is primarily dependent upon the passenger service on the railroads, and participates to the very fullest extent in the passenger service itself, and is even a preferred service on passenger trains. Very often special mail trains throughout the country are superior to passenger service.

Now we fall short of this, earning from the mail $3.37 per thousand car-foot miles and from other passenger service $4.34 per thousand car-foot miles, as shown in joint report of the departmental and railroad committees, dated March 15, 1913, mail earnings being 97 cents less per thousand car-foot miles, and representing for the car-foot mileage involved upon 189,760 miles of service a deficiency in mail earnings of $13,190,724 per annum. This deficiency of course would be very largely increased if the figures were available for the entire service performed on 226,071 miles of railroad.

The high efficiency demanded of the postal service by the people compels the use of the best train service, established primarily for passenger business, as well as the use of almost every train operated in the country. Congress itself requires the highest class passenger facilities, under severest penalty, as follows:

Revised Statute, 4000:

> Every railway company carrying the mail shall carry on any train which may run over its road, and without extra charge therefor, all mailable matter directed to be carried thereon, with the person in charge of the same.

Act of March 3, 1897:

The Postmaster General shall, in all cases, decide upon what trains and in what manner the mails shall be conveyed.

Act of July 5, 1884:

If any railroad company shall fail or refuse to transport the mails, when required by the Post Office Department, upon the fastest train or trains run upon said road, said company shall have its pay reduced fifty per centum of the amount provided by law.

The act of August 24, 1912, requires a superior class of equipment in the construction of all steel full postal cars.

A. The use of all trains prevents economies in handling or the adjustment frequently to the other business on the trains.

Not only are all passenger trains available, but special mail trains, in many cases with schedules to fit specially important connections, and adjusted to suitable hours of dispatch for the great city daily papers, are furnished, the speed in some cases being quicker than passenger service. For example: On our line, not only special schedules are provided, but faster time made from St. Louis to Kansas City, viz., 7 hours, whereas, the passenger schedule is 8 hours and 15 minutes, and St. Louis to Texas, the fast-mail train is 6 hours quicker than the passenger service.

An additional train, particularly if a fast train, is scarcely scheduled before there is a demand for mail service upon it. The better the passenger train, the more urgent the demand for its use for mail service, the department even having the right to and securing the service of special-fare trains, where operated.

B. Under State laws, the railroads have the same full passenger liability for damages in the case of accident to railway postal clerks, as they have to passengers, and the United States Supreme Court, in a recent case, extended this liability, by a decision to apply where a postal employee was not even traveling upon official, but instead was traveling upon personal business.

C. Mail apartment cars, if only 10 or 15 feet in length, with a single postal clerk, must have individual toilet facilities, wash water, ice water, and sanitary arrangements, as in private cars, yet in some instances, earn only as much as the fare of two passengers.

D. The railroads are required to take on its scheduled train, designated by the department, all mail, even if necessary to exclude and hold back baggage (which should accompany passengers to avoid complaint and claims) and express. In fact, it is not an uncommon thing at St. Louis, to unload both baggage and express, after being placed in baggage cars, to make room for the mail.

E. Mail trains must be held for loading mail from connections that have arrived before leaving time; this is not done for other passenger-train traffic, except in very rare instances.

F. Where fast mail trains are operated, they have the right of way over all service, and freight trains, from one end of the line to the other, have to be sidetracked at meeting points for safe clearances.

G. The mail service does not adjust itself as passenger and express business does to stops, but mail cranes and catcher service have to be provided, so that even the smallest local communities may exchange mails with the fastest trains, to secure high efficiency.

H. Mail cars must be set for advance work many hours before departures, requiring lighting, heating, extra switching, etc., whereas passenger trains need to be set only a few minutes before schedule departure, except in the case of some sleepers on late night trains, which may be set an hour or two before departure, to permit passengers to retire.

I. The mail cars require more and better light than any passenger cars operated.

J. The department requires preferred handling of the mail at stations over other work of station employees; that is, the mail must be exchanged before baggage and express are handled, so as to give the mail clerks an opportunity to open the mail bags quickly and assort the mail and have it ready for the next stations.

The foregoing are practical reasons showing how completely the passenger service is utilized by the Government in mail transportation, which seem conclusively to indicate to my mind that when the highest quality of service is demanded for the people the compensation ought to be proportionate, as a business principle.

It has been indicated that perhaps on account of property protection, advertising, or the possible stimulating effect of mail upon freight and passenger business, there might be benefits to the railroads, incidental to mail transportation. If correct, the same principle would be involved as stated in the outset, that the people as a whole would thereby shift a burden to the shippers of freight, and to the passengers who travel, to make up for this so-called asset, which, I think, would be unsound in doctrine.

Property protection: As to property protection, the railroads, it would seem, should have ample protection to property in consideration of taxation, the same as other property, the railroads paying 3½ per cent of gross revenue in direct taxation. I might allude here to the rapid increase of taxes paid by the railroads, amounting in 1912 to $120,873,472, an increase of 121.9 per cent in 10 years, while operating revenue has increased but 66.3 per cent in comparison. As to indirect taxation, upon materials, etc., they pay a full share, as all other business does. It is as much public necessity as protection to property for the United States Government, in extreme rare cases, to reenforce State powers and aid in the movement of the mails.

Advertising: It is the consensus of opinion among railroad people that there is no advertising value whatever to the railroads, so far as being mail carriers is concerned. Practically all railroads carry the mail, and therefore are mail carriers.

Stimulation of other traffic: There seems no reason why the mail should pay less than other passenger-train service, because it may have a stimulating effect upon freight and passenger business. The mail is essential to the conduct of business. It is so absolutely important that public opinion would rather tend to a policy of subsidizing railroads for service, and did so until a very few years ago, were it not for the fact that passenger-train service is so frequent and efficient as to meet the necessities of the people.

The railroads have rendered a great service to the people in going into new territory and furnishing the means of transportation of products to and from markets, and thereby to some extent creating the very need for the mail facilities. The growth and development

of communities which have followed railroad construction into new territory, private capital taking great hazards, is well known.

In the Pacific group of States, viz, Washington, Oregon, California, Nevada, Idaho, Arizona, and Utah, the population in 1860 was 491,183, with 23 miles of railroad; in 1910 the population was 5,177,487, with 23,256 miles of railroad.

In the southwestern group of States, viz, Missouri, Arkansas, Texas, Kansas, Colorado, New Mexico, and Oklahoma, the population in 1860 was 2,456,676, with 1,162 miles of railroad; in 1910, the population was 13,238,850, with 51,772 miles of railroad.

In the intervening periods the rapid growth of railroad construction was followed by rapid increase in population. How much increase in the country's wealth is based upon railroad construction and operation I do not know, but they have been great creators of value and wealth to the people. How much "unearned increment" may be traced primarily to the railroad construction will never be known.

In the pacific group of States above mentioned, between even 1890 and 1910, the increase in railroad mileage was 11,225 miles, and the increased value of farm property, buildings, implements, machinery, and live stock was $2,246,321,252, and in the southwestern group the increased railroad mileage during the same period was 18,884, with increased value of property as described above of $5,910,778,895, according to census figures.

When railroad transportation has rendered such great aid in the settlement and development of the country, and in the production of values to the people, it would appear in the nature of a penalty if they should not now be permitted to earn as much from mail transportation as from other transportation service.

I trust these views may at least be of some material service to your committee.

The CHAIRMAN. What compensation per car mile does the Missouri Pacific receive from passenger service?

Mr. MACK. I have not those statistics.

The CHAIRMAN. Do you know the difference—how much more you receive from passenger service than from mail service?

Mr. MACK. Per car-mile?

The CHAIRMAN. Yes.

Mr. MACK. No; I do not.

The CHAIRMAN. Per train mile?

Mr. MACK. I gave figures with respect to the special mail trains that we had at a previous hearing. If I recall, the mail train between St. Louis and Kansas City early in the morning earned $1.30 per train mile and the earlier train in the evening earned $1.01, which is, I am very sure, much lower than the earnings from the passenger trains.

The CHAIRMAN. That is, per train-mile?

Mr. MACK. Per train-mile; yes, sir. I would like to make this answer to Mr. Lloyd's point which came up this morning with Mr. Logan on the question of eminent domain. The right of condemnation of property for railroad construction is based upon the public need of transportation facilities and the construction of the railroad and its operation (good service and reasonable rates being secured) fulfills the obligation of the railroad companies. The law confers the right,

but is based upon public necessity and is an inducement to capital to invest and supply such needs.

Mr. LLOYD. But that which you receive is due to the law. If the law should provide that you should carry the mails free, you would be required to carry the mail, because it would be a part of the law.

Mr. MACK. That would be very true if we were discussing original franchise conditions; but of course the postal service has proceeded along different lines, and up to this time the theory and practice has been, so far as I know, that the railroads should be compensated without any special privilege to the Government for mail service.

Mr. LLOYD. Speaking for myself, and I am sure for the commission, we have no antagonism toward the railroads and we are ready to admit all you say with reference to their being benefactors and paving the way for civilization and advancement of prosperity and development of the country, but I do not think that has very much to do with the question of how much pay we should give them, nor does that settle the question of space and weight.

The CHAIRMAN. How does the viewpoint present itself to your mind, of mail transportation as a by-product of transportation itself?

Mr. MACK. I do not consider it a by-product.

The CHAIRMAN. In any way?

Mr. MACK. No.

The CHAIRMAN. Nor the express?

Mr. MACK. No. I think it is part and parcel of transportation, and that it should all be on the same basis. If the rates could be fixed and service conditions matched accurately, each class of service ought to support itself—the freight, the passenger, mail, and express. That exact condition, of course, can not be developed, but when we are dealing with a specific proposition like the mail, one proposition that apparently itself could be adjusted on the basis of other passenger service, I think we should have the same earnings. If the passenger service is profitable to a small degree, the mail should pay, in a small degree, and if the passenger service is unprofitable and it is generally believed it is, if the mail paid a proportionate rate to passenger trains, it would still fail to pay a profit to the railroad. That is taking the proposition as a whole.

The CHAIRMAN. Is it generally believed, in the country as a whole, that the passenger service is unprofitable?

Mr. MACK. It is so regarded, I think, by all the railroads of the country.

Mr. LLOYD. What do you think would be the effect if your railroad company carried no mail? Would its surplus fund be as great at the end of the year or its earnings as great each year as it would without carrying the mail?

Mr. MACK. Why, no. We would save, of course, the cost of the special trains, and save the special terminal costs that are incident to the performance of the mail service, but, aside from that, probably the passenger service and other train service would be the same.

Mr. LLOYD. Then the carrying of the mail is profitable to the railroads?

Mr. MACK. I would not say that it is profitable to the railroads, because on that basis you eliminate all proportional charges.

Mr. LLOYD. I am asking general questions, as you will observe. I think you must answer that that is the answer of every railroad—that it is beneficial to the railroads to carry the mail?

Mr. MACK. There are special benefits, of course. It is beneficial to the railroad to carry the mail and beneficial to the Post Office Department. In fact, the Post Office Department is here acting as an agency of transportation and using our property.

The CHAIRMAN. Do you think it is right to charge up as an expense of mail the charges for passenger agents and ticket agents?

Mr. MACK. My impression is that the question rests rather upon relative revenue rather than the relative cost, because costs are not definite and reliable. The costs are based upon an arbitrary division; but, answering your specific question, if you were to go to a specific basis of cost, and it could be ascertained, my judgment is the mail service participating so fully in the benefits and requiring the very highest class of passenger service there is should participate fully in all costs that go to make up the passenger service.

Mr. LLOYD. Do you not think that this is true, that where you run the mail train by itself without any passenger service that you ought to charge everything connected with that service to mail and no part of it to passenger?

Mr. MACK. There would not be any charge to the passenger service for the operation of a special mail train; no.

Mr. LLOYD. Everything connected with the special mail train, the conductor on that train, the brakemen on that train, the engineer, and everybody connected with that train, and everything that is in the way of expense for handling that special train ought to be charged to the mail.

Mr. MACK. That is so; yes, sir. Likewise, if there was a passenger train operated without any mail on it the charge for that train would be for the passenger service on the same basis.

Mr. LLOYD. Then there would be no difference between us on that proposition, except as to what you term common charges for passenger and mail facilities. It seems to me that there can be no question about this proposition, that anything that the railroad does in the transportation of mail ought to be charged to mail, just like the special trains; everything connected with them ought to go to the mail expense, if it is to be figured at all on the cost basis, and I take it that you people are figuring on a cost basis. All this hearing has been on the theory that it costs so much to carry the mail, and because of the cost you ought to have the cost back, and in addition to that, some compensation. Now, if you do away with the cost theory and take the revenue theory—what do you mean by that?

Mr. MACK. I mean that the car-foot-mile earnings on passenger trains for mail are below the earnings of the other space on these trains.

Mr. LLOYD. Now, let us see if I understand you. You say a revenue basis. Take the amount you receive for mail and the amount you receive for express and the amount you receive for passengers; those are the three elements that make the revenue on a passenger train. Now, as I understand you, you think that the pay ought to be based according to the revenue received?

Mr. MACK. I think they ought to earn an equal amount. In other words, these figures demonstrate the question of under pay very definitely.

Mr. LLOYD. Now, going back, here is what I want to reach. You say that they ought to pay relatively. Then we ought to pay for the space that is used on passenger trains, the space that is used for express, and the space that is used for mail, and that gets back to the space basis?

Mr. MACK. No; hardly. We arrive at the figures based upon the space that is actually used and operated as a common basis for comparison, or test at a given time just as the service existed at that time.

Mr. LLOYD. I am trying to get you, if I can, to get at some kind of synthetic statement that does not use car miles nor train miles, not any of these technical terms that the average individual does not understand, if there is any way to do that. One trouble about it is that in all of our conversations—I just as much so as the rest of you—we talk about car miles. What does the average individual in the country know about car miles? He does not know about it. If we can reach some kind of a system of pay by which John Jones working on the street, can understand what we pay the railroads and some kind of a system that I can explain to John Jones, who is one of my constituents, what we do pay the railroads, I think it means more than this question of how much we pay, because the whole thing to the average individual of the country is a complete mystery. I was just talking to the Senator here, and neither one of us, unless we gave some thought with reference to that thing, could go before a promiscuous audience and make a speech of 30 minutes and satisfy that audience to-day as to the present system of paying the railroads for carrying the mails. It is such a complex subject that it is almost impossible for anybody except an expert to explain it at all.

The CHAIRMAN. I do not think he could.

Mr. LLOYD. I am pretty nearly ready to say that. In my judgment you are one of the best we have along the line of investigation, and I am anxious that some kind of a system should be worked out that anybody can understand. Everybody understands, when they go to buy a ticket for transportation, how much they are paying for that ticket from one town to another. If you take freight to the depot, you understand how much you are paying for that freight, and if you take an express package to the depot, you understand how much you are paying for express. That feature of it we will understand. Now, we want to get a system, if we can, so that everybody will understand what we pay for carrying the mail.

Mr. MACK. Of course we would be the principal beneficiaries of any system that could be devised.

Mr. LLOYD. I do not care anything about that, but I am anxious to get a system that everybody can understand.

At this point of the proceedings, the committee went into an informal session, and at 5.40 o'clock, took a recess until 8 o'clock p. m.

EVENING SESSION.

The hearing was resumed at 8 o'clock p. m.

The CHAIRMAN. At this point I want to insert in the record a copy of my letter to Chairman Prouty of the Interstate Commerce Commission requesting a comparative statement showing the increase in the year 1911 over the year 1909 in the expenses or costs incurred by the railroads, and the reply of Chairman Clark, of the Interstate Commerce Commission, together with the statement transmitted by his letter.

APRIL 11, 1913.

Hon. C. A. PROUTY,
*Chairman Interstate Commerce Commission, Washington, D. C.*

MY DEAR SIR: I should like to have a comparative statement prepared for insertion in the hearings now being conducted on the subject of railway mail pay, showing what, if any, increase there has been in the year 1911, or preferably 1912, if obtainable, in the expenses or cost incurred by the railroads over 1909, same to include taxes. In order that the actual increase over 1909 may be shown, allowance should be made for the increased traffic and additional mileage of the railroads of the country.

As prompt a response as the nature of this request will permit will be greatly appreciated.

Yours, very truly,

JONATHAN BOURNE, Jr.,
*Chairman.*

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INTERSTATE COMMERCE COMMISSION,
*Washington, April 19, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Compensation for Transportation of Mail, Washington, D. C.*

DEAR SIR: In compliance with your request of the 11th to the former chairman of this commission, I take pleasure in submitting to you the desired statement, which I trust may be of service in your work. If there is anything further which we can do for you, kindly write again.

Very respectfully, yours, E. E. CLARK, *Chairman.*

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*Statement compiled from annual reports of operating steam railway companies to the Interstate Commerce Commission for the years named, ended June 30.*

[Does not include switching and terminal companies.]

| Item. | Year. | |
|---|---|---|
| | 1909 | 1911 |
| Miles of roads for which operations were reported | [1] 235,402.09 | [2] 246,238.02 |
| Operating revenues—Rail operations [3] | $2,418,677,538 | $2,789,761,669 |
| Operating expenses—Rail operations [3] | $1,599,443,410 | $1,915,054,005 |
| Taxes accrued [3] | $85,139,554 | $102,657,157 |
| Operating income [3] | $738,031,543 | $773,865,700 |
| Number of revenue passengers carried | 891,472,425 | 997,409,882 |
| Number of revenue passengers carried 1 mile | 29,109,322,589 | 33,201,694,699 |
| Number of revenue passengers carried 1 mile per mile of road | 127,299 | 139,191 |
| Average receipts per passenger per mile (cents) | 1.928 | 1.974 |
| Number of tons of revenue freight carried | 1,556,559,741 | 1,781,638,043 |
| Number of tons of revenue freight carried 1 mile | 218,802,986,929 | 253,783,701,839 |
| Number of tons of revenue freight carried 1 mile per mile of road | 953,986 | 1,053,566 |
| Average receipts per ton per mile (cents) | .763 | .757 |
| Passenger service train revenue per mile of road | $2,979 | $3,312 |
| Freight revenue per mile of road | $7,184 | $7,895 |
| Operating revenues per mile of road | $10,356 | $11,433 |
| Operating expenses per mile of road | $6,851 | $7,850 |
| Net operating revenue per mile of road | $3,505 | $3,583 |
| Ratio of operating expenses to operating revenues (per cent) | 66.16 | 68.66 |
| Ratio of operating expenses and taxes to operating revenues (per cent) | 69.65 | 72.32 |

[1] Includes 9,396.35 miles operated under trackage rights, and 1,343.45 miles not in United States.
[2] Includes 11,008.85 miles operated under trackage rights, and 1,761.58 miles not in United States.
[3] Excludes returns for a few small roads because of deficiencies in their reports.

I also wish to put into the record a memorandum of railway mail pay submitted by Mr. M. O. Lorenz under date of April 19, 1913:

MEMORANDUM REGARDING RAILWAY MAIL PAY.

The services performed by railroad companies for the Post Office Department may be divided into the following three classes:

1. Carrying mails in apartment, R. P. O., and storage cars.
2. Carrying mail in closed pouches, these being handled along with baggage or other traffic.
3. Side services—that is, carrying mail between station and post office.

These three classes of service need not all be paid for on the same basis. The basis used should be suited to each class. Taking up the last class first, we must admit that this is not really a steam railroad transportation service, and the presumption is that the Post Office Department would take this out of the hands of the railroads altogether. It is urged that the railroad company has men employed anyhow who will carry the mail in many cases without extra pay; but does this not work both ways? Wherever there is a post office, there must be some one employed anyhow by the post office. It has been suggested that the matter might be adjusted in this way: In cases where it would clearly not cost them anything the railroads might continue to perform this service without pay; but whenever they demanded pay for the service, the Post Office Department should take over the work.

Turning to the closed-pouch service. We have here a service analogous to the express service. Is not the natural method of payment on the basis of actual weight or number of pouches? As to the rate, how would it do for the Government to pay one-half the rates fixed by the Interstate Commerce Commission as fair rates for the public to pay to the express companies? If the department wished to send a carload of closed pouches by freight, the payment could bear some relation to the first-class freight rate.

This leaves us simply the first class mentioned above to consider. The proposition is here advanced that the proper solution for this class of service is the payment of a specific rate per car-foot mile in both directions for the maximum space used or necessary in either direction, unless by mutual agreement the empty space can be utilized in other services, the payment per car-foot mile to be the same to each and every railroad, except that possibly a minimum payment might be prescribed if it is found that very small roads are not taken care of by the payment for closed pouches separately. The argument in favor of this proposal will first be indicated, before taking up the question of what that payment should be.

It is commonly thought, and rightly, that as a general proposition increasing density of traffic means a lower cost per unit of traffic. (By density of traffic is meant the amount of traffic per mile of road operated.) We get this general impression doubtless chiefly from the fact that in the freight service increasing density means larger trainloads and larger carloads, and this decreases the cost per ton. Furthermore, in any traffic, the more cars are hauled, the less is the share for each car of those common expenses that are independent of wear and tear. But it would be a mistake to conclude from these well-known facts that the train mile expense is less in regions of dense traffic. A train mile does not always mean the same thing. Freight trains vary tremendously in weight and passenger trains very in speed, number of cars, and nature of service. Compare for example the Lake Shore with the Santa Fe:

| | 1911 | |
|---|---|---|
| | Santa Fe. | Lake Shore. |
| Operating revenues per mile of road | $11,817 | $29,138 |
| Operating expense per train mile | 1.64 | 1.76 |
| | *Per cent.* | *Per cent.* |
| Per cent passenger-train miles are of total train miles (revenue service) | 48.57 | 49.86 |
| Passenger cars per train | 6.05 | 6.88 |
| Loaded freight cars per train | 21.90 | 28.61 |

The additional expenses of the heavier traffic per mile of line more than counterbalance the economies per train that come from a better utilization of track. We can not, of course, use directly the average train-mile expense, both freight and passenger, in a study involving the passenger service alone. Such an average is much affected by the relative number of heavy freight trains. Thus on the Pittsburgh and Lake Erie the average train-mile expense is $2.82 as against $1.74 on the New Haven. To test the relative expense of hauling a passenger-train car a mile satisfactorily would require a separation of the passenger from the freight expenses. We do not have reliable figures of this kind for all roads. But just at present we are arguing concerning the question whether one payment per car-foot mile would be reasonable for roads in different sections of the country. As bearing on this particular point, the following table may be of interest:

*Year ending June 30, 1911.*

| | Revenue per passenger-train car-mile (cents). A. | Per cent operating expenses are of revenues (all business). B. | Column B applied to column A (cents). C. |
|---|---|---|---|
| I. Large roads: | | *Per cent.* | |
| Eastern | 25.5 | 70.35 | 17.90 |
| Southern | 24.3 | 68.40 | 16.60 |
| Western | 25.5 | 66.56 | 16.97 |

II–III. The smaller roads—that is, those having revenues of less than a million dollars a year—show a higher car-mile revenue and a higher operating ratio, but they may be ignored in this discussion because (1) they would be affected more by the closed-pouch method of payment than by the car-space payment; (2) a minimum payment per mile of line might be provided for; (3) the large roads mentioned above do over 96 per cent of the business.

From the above table it does not seem that a different payment is required for roads in different regions. For individual roads there is more variation, but the general impression produced is the same. Notice the exceptional cases of the New Haven and Boston & Maine resulting from the small trains and well-filled cars.

| Road. | Revenue per passenger-train car-mile (cents). | Ratio of expenses to revenues—all operations. | A × B (cents). |
|---|---|---|---|
| Pennsylvania R. R | 27.16 | 72.15 | 19.60 |
| Pennsylvania Co | 21.13 | 68.28 | 14.42 |
| New York Central | 24.57 | 73.98 | 18.17 |
| Lake Shore | 23.36 | 71.66 | 16.74 |
| Baltimore & Ohio | 22.22 | 71.21 | 15.81 |
| Erie | 21.98 | 64.94 | 14.27 |
| New Haven | 39.51 | 65.80 | 25.99 |
| Boston & Maine | 29.78 | 78.43 | 23.35 |
| Southern | 24.57 | 67.82 | 16.66 |
| Chesapeake & Ohio | 27.92 | 64.79 | 18.09 |
| Seaboard Air Line | 21.69 | 66.48 | 14.42 |
| Southern Pacific | 29.39 | 57.33 | 16.85 |
| Chicago, Burlington & Quincy | 25.10 | 67.45 | 16.93 |
| Santa Fe | 25.48 | 63.52 | 16.18 |
| Northern Pacific | 27.60 | 61.20 | 16.89 |
| Union Pacific | 21.70 | 53.19 | 11.54 |
| Denver & Rio Grande | 22.75 | 68.22 | 15.52 |

Aside from the statistics, does it not appear reasonable to pay the same per car-foot mile, when you consider that the roads which have a dense traffic and which thus have certain expenses less per car, nevertheless haul more weight per car foot and give better service; that is, faster and more frequent? The pounds per car-foot mile can not be given by roads, but may be estimated by routes. Thus:

| | Pounds per car-foot mile. |
|---|---|
| Route No. 109004. New York to Philadelphia, Pennsylvania R. R | 105 |
| Route No. 11001. Philadelphia to Pittsburgh, Pennsylvania R. R | 119 |
| Route No. 110123. Pittsburgh to Youngstown, Pittsburgh & Lake Erie | 82 |
| Route No. 167009. El Paso to Bisbee, Santa Fe | 52 |
| Route No. 159001. Sioux City to Edgley, Chicago, Milwaukee & St. Paul | 19 |

The impression gained from the preceding considerations is that no grouping of the roads is necessary. This simplifies tremendously the problem of railway mail pay if the car-foot-mile basis is adopted for the railway post office, apartment, and storage car service.

The question now is, what shall be the revenue per car-foot-mile?

Such information as we have at this time enables us to make the following statement as demonstrable: The existing mail revenue for the roads as a whole is, on the one hand, profitable traffic for the railroads in the sense that it more than pays the actual out-of-pocket expenses occasioned by the mail service directly or indirectly, but on the other hand the mail service does not pay its full proportionate share of taxes and interest charges. In other words, no crying injustice would be done to the railroads or to the Post Office Department if no radical change is made in the existing level of pay for the next three or four years, by which time it is to be hoped that the accounting practices of the railroads generally will be sufficiently developed to permit of a reasonably definite determination of the relative cost of various branches of the railroad service. The existing revenue per car-mile for all passenger-train traffic is about 25.5 cents as against a mail revenue of about 20 cents (using the 3.37 mills per car-foot mile given on page 324 of the Hearings No. 2). Doubtless the mail revenue ought not to be as large as the other passenger-train revenue per car-foot mile, because certain expenses are incurred for the passenger traffic that are peculiar to it to a larger extent than is true of the mail traffic. This consideration would probably not warrant a reduction of more than 10 per cent from the passenger earnings, although no definite conclusion is presented on this point. In other words, it is possible that the committee might find that a car-foot mile in the mail service should earn 3.37 or 3.50 or 3.75 mills (as further consideration may determine), subject to a proportionate reduction if the closed-pouch service is paid for separately.

Before reaching a definite conclusion on this point, all parties interested will doubtless wish to see how it would work out in individual cases. Practically the only statistics of car-foot miles we have at the present time are for the single month, as compiled by the Post Office Department. Perhaps, before weighty conclusions are reached, additional data should be collected regarding the actual car-foot miles devoted to the mail service on various roads.

The CHAIRMAN. I want to ask Mr. Lorenz to elucidate a little on this portion of his statement reading as follows:

Doubtless the mail revenue ought not to be as large as the other passenger train revenue per car-foot mile, because certain expenses are incurred for the passenger service that are peculiar to it to a larger extent than is true of the mail traffic.

What?

Mr. LORENZ. I had in mind in writing that, for example, the expenses which the railroad officials reported as traffic expenses. They, presumably, do not maintain relatively as many officials or agents to get the mail traffic from the Government as they do maintain to get their passenger traffic for the railway. That is one illustration of the expense that is peculiar to the passenger traffic and not the mail traffic.

The CHAIRMAN. I would like to get a little discussion between you, Mr. Bradley, Mr. Mack, and the other gentlemen here in reference to that; as to the difference between passenger and mail.

Mr. LORENZ. I think the question can only be satisfactorily determined by a complete system of cost accounting, where every item

would be set down that is exclusively chargeable to freight, exclusively passenger, or exclusively chargeable to the mail or to express, and then the balance of the expenses and divided among these departments on some basis that is proper for each account. That would automatically determine this question, but not having that we can only take into account these features which are obvious. It seems to me the one I have mentioned, traffic expense, and again, the ticket agents, and probably also the expenses for passenger stations, are relatively greater. Some illustration has been given of the terminal service performed for the mail, and of the fact that cars must be placed upon side tracks, and that some room must be furnished, perhaps in the station, and the mail handled, and so forth. I do not know just where the line would be drawn, but on the whole it seems to me a little more was done for the passenger service along these lines than for the mail service, and that therefore the revenue per car-mile should be somewhat greater to cover that extra expense in the passenger service.

The CHAIRMAN. That is, revenue per car-mile should be greater in the passenger than in the mail service?

Mr. LORENZ. Yes, sir.

The CHAIRMAN. Mr. Bradley presented a statement, as is shown on page 438 of the second volume of the railway-mail pay hearing, which made a strong impression on my mind, giving the relativeness between the Post Office Department and the express companies. Why could not that same thing be done with the passenger service? You have read that statement, have you?

Mr. LORENZ. Yes, sir. I think such a statement would be very useful.

The CHAIRMAN. Is there any criticism that you would make in reference to Mr. Bradley's presentation under that comparison between express and mail?

Mr. LORENZ. No, sir; I have no particular criticism on this. It may be, in the comparison between mail and express, that there might be relatively more done for the post office than for the express.

The CHAIRMAN. In other words, under that comparison, I take it Mr. Bradley thinks that the transportation companies should receive more compensation in the handling of the mail than they do for express, because more is required. Is that correct, Mr. Bradley?

Mr. BRADLEY. Yes, sir.

The CHAIRMAN. Are there any criticisms whatever to make as to his deductions based on those premises? Do you think they are a fair presentation of the relativeness between the two?

Mr. LORENZ. I have not studied them closely enough to answer that.

The CHAIRMAN. Have you, Mr. McBride?

Mr. MCBRIDE. I have not had an opportunity to study them very closely. I do not want to go on record at this time.

The CHAIRMAN. I wish you gentlemen would both kindly look into that question between the express and mail. That presentation has made a very strong impression on my mind.

Mr. MCBRIDE. I think from a casual reading that the differences are presented correctly, although I do not agree with the language

of that part presenting the Post Office Department's side of the case. I think it is probably correct as to the facts.

Mr. BRADLEY. Would you instance a case?

Mr. MCBRIDE. I am not prepared to instance a case at this time. I want to give the subject more study.

Mr. ROWAN. I want to ask Mr. Lorenz if some consideration ought not be given to the fact that mail is given precedence over every other class of traffic?

Mr. LORENZ. Yes; I think it should be.

Mr. ROWAN. And it is admittedly given preference over every other class of traffic that is handled?

Mr. BRADLEY. I was going to ask that in a general way—whether Mr. Lorenz, in considering this subject, had turned his attention as much to the extra advantages that the mail service enjoys, or the extra expense attendant upon the performance of the mail service, as he did to the extra expense which appertained to the passenger service?

Mr. LORENZ. Perhaps they were not fully considered. Of course I had them in mind, but I reached no final conclusion.

Mr. ROWAN. Do you not think that the activity of all traffic officers results in advantage to the department?

Mr. LORENZ. I do not see how.

Mr. ROWAN. Because the traffic official solicits passengers for the trains and enables the road to run a train like the Century. Without the traffic department booming a train like that, there would not be such a train for the Post Office Department to use.

Mr. LORENZ. On the other hand, if it was not for the Post Office Department, those trains would not pay so well. Perhaps in helping out the mails enable you to establish a train like the Century.

Mr. ROWAN. Our earnings for mail on the Twentieth Century Limited are less than 4 cents a mile, and we give them 9 feet of space. I do not think there is anything in that.

Mr. SNEAD. There is one part of the traffic activities that does it which seems to me helps the Post Office Department, and that is soliciting settlers to move into a country—immigration. They settle in a country, build it up into farms and towns and create mail along with other business, but the mail does benefit and profit by that the same as your freight and passenger business does.

Mr. LORENZ. I think that is too intangible to be measured directly.

Mr. SNEAD. I think that is true of a great many others, but that is a direct benefit.

Mr. ROWAN. If it were not for the traffic department the Post Office Department would not have the good trains they have to-day. The traffic department creates the necessity for additional trains.

Mr. BRADLEY. I prepared some time ago a tentative statement about weight or space which I have not presented, but in that I point out that we can readily distinguish the 15 separate services rendered by the railroad company in connection with the Railway Mail Service, of which only two were specifically paid for, namely, the transportation of the mails and the R. P. O. cars.

The CHAIRMAN. What are the other thirteen?

Mr. BRADLEY. Mail apartments in combination cars, side messenger service within 80 rods, terminal messenger service, transfers if depots are 80 rods or less apart, station rooms for transfer clerks, station

rooms for sorting mail, R. P. O. cars and apartments placed in railroad terminals hours before train's departure or held after train's arrival, mail cranes, mail receivers, and mail catchers. Right there, the British Government pays for their own mail cranes and catchers, but in this country the railroads are obliged to pay the expense. The next item is transportation of railway postal clerks on duty and to and from duty, transportation of postal officers connected with Railway Mail Service, transportation of postal officers connected with the other branches of the postal service, fines and deductions (including disciplinary action), speed and frequency.

As Mr. Mack pointed out to day, the holding of postal cars in railway terminals for several hours before departure, and in some instances providing for the distribution of mail in terminals for more hours than the postal car travels on its journey is one distinction between the mail and passenger service, and it leads to the impression that if all these credits were given on both sides of the account, it might be concluded to be entirely fair to make no discrimination against an equal rate for postal cars on account of such few items in the passenger account as can not be identified as being directly applicable to the mail service.

Mr. MACK. The postal service certainly gets the very best there is in our passenger service, and in addition to that, special mail train service. Do you not think, for instance, when we are required to give that preferred service—for instance, we have to put our baggage and express off of our trains to accommodate mail that comes in on a late connection, when we can not get another car—do you not think those are factors clearly in the case of preferred service that ought to be on the highest passenger basis possible?

Mr. LORENZ. That should be considered; yes. But how would you reduce that to dollars and cents, as to whether it should be 5 per cent more or 10 per cent less than passenger earnings?

Mr. MACK. We have not attempted to do that. The position I have taken personally is that the passenger service is organized, including its whole outfit, of which the traffic expense is a part, and the Government comes along representing the people in the conduct of the postal service, and finds to hand this passenger service and gets the use of it. Now, why should it not bear a proportion of all the expense necessary to maintain that service without cutting out a little here or there. As I also showed this afternoon, the Government has been willing to pay for 30 years a subsidy in order to get the postal facilities that it desired, that were not secured through the regular passenger service. The Post Office Department and Congress have been willing to pay a higher rate in order to get a service that was needed, but that higher rate and that subsidy has been eliminated by a great improvement and an increase in our passenger service which now meets practically all the necessities of the postal service which should pay us as much at least, as the other passenger service.

The CHAIRMAN. What subsidy do you refer to specifically?

Mr. MACK. From 1876 until 1907 there were subsidies for the fast mail service from Washington to New Orleans, from Kansas City to Newton, and some other cases that I have forgotten now, but they have gradually disappeared, based primarily upon the fact of the improved passenger service.

The CHAIRMAN. The general improvement of passenger service?

Mr. MACK. Yes.

Mr. BRADLEY. It represented an expenditure, as I recall it, of about $250,000 a year by the Government.

Mr. MACK. Now we give them not only passenger service, but special mail train service at regular rates. We feel when we do that we are giving the Government a great deal for its money, and to cut out traffic expense because you have your service built up, based upon passenger business, it is hardly just to put it on any other basis than even terms with the passenger revenue. It seems to me that that is clearly sound.

Mr. BRADLEY. Then referring to the idea that the mail service is a by-product, it occurred to me to-day that the mail service was in existence before the railroads were built, and they commenced using the railroads as soon as they were built.

The CHAIRMAN. So you take it that the passenger service is a by-product of the mail?

Mr. BRADLEY. I would not go that far, but at least I would place them on even terms.

Mr. MCBRIDE. Do you not think you are slightly incorrect in saying that speed and frequency are not considered in compensation?

Mr. BRADLEY. What I say about that is this: There is no greater pay for a speed of 60 miles per hour than for 15 miles per hour. There is no greater pay for 100 trips a day than for one trip, if the aggregate weight of the mail is the same in both instances, yet if a single train fails to make its usual time, a deduction is made from the pay of the company. It should be admitted, however, that speed and frequency are thus rewarded indirectly.

Mr. MCBRIDE. I think your statement should be modified by saying, that if the failure is unavoidable, the deduction made is only 50 per cent of the value of the trip.

Mr. BRADLEY. How would it be in the recent floods in Ohio and Indiana. What allowance would be made for an act of Providence?

The CHAIRMAN. I would like to get that statement of yours into the record, Mr. Bradley.

Mr. BRADLEY. This was made in February, and I do not know whether it is up to date. We have had very many informal conferences since this was written.

The CHAIRMAN. We will insert it in the record here.

### WEIGHT OR SPACE.

In studying the subject of railway-mail pay in order to distinguish and select those elements of service upon which the rate of pay should be based it is first important to survey all the services performed by the railroads for the Post Office Department and estimate their relative importance. We can readily distinguish 15 separate services of which only 2 are specifically paid for, the other 13 being not paid for specifically.

First. *Transportation of the mails.*—This service is paid for and is the carriage of the weight of mails from every place of origin on a railway to every place of destination on a railway. It is an indispensable service for the Post Office Department; without it we could not have an efficient postal system. Car space is only necessary according to the amount and character of the load and is not an unduly prominent factor as compared with the weight. This service could be performed by the railroads if all R. P. O. cars and mail apartments for sorting the mails en route were abolished. The space statistics in Document No. 105, accepted by the Post Office Department as necessary both for the transportation and the sorting of the mails en route, allows 87 per cent for sorting space and 13 per cent for storage space. This implies that the excess space (almost six times beyond what the load requires) is primarily a necessity

of the Post Office Department to secure a high quality of postal service and not, so far as the railroad is concerned, an essential concomitant of the weight of mail transported.

Second. *R. P. O. cars.*—These cars are built and provided and hauled by the railroads, and are paid for specifically in addition to the pay for the weight of mail carried. In theory this additional pay is intended to cover the additional space in R. P. O. cars beyond the space in which the load is carried, but it is inadequate for the purpose. In Document No. 105 the R. P. O. car distribution space is stated by the Post Office Department as being 45 per cent of the total of all mail space accepted by the department. The pay to the railroad companies for furnishing this class of service—that is, full R. P. O. cars—is equivalent to about 10 per cent of the transportation pay. The 13 services not specifically paid for are:

Third. *Mail apartments in combination cars.*—These are from 10 feet to 30 feet in length, furnished with complete sorting facilities, and serve as traveling post offices for over 7,000 railway postal clerks, similar to the full R. P. O. cars. In Document No. 105 the Post Office Department attributes to these mail apartments 39 per cent of all car space used for mails. The lack of additional pay for these apartments widens the inadequacy of the pay for the weight carried, especially as there is no effective check upon the Post Office Department to restrain its demands for apartment car space.

While this statement applies to the railroads generally it can be given especial emphasis in relation to the short-line railroads that are required to supply mail apartment cars.

Fourth. *Side messenger service within 80 rods.*—Fifth. *Terminal messenger service.*—Sixth. *Transfers if depots are 80 rods or less apart.*—None of these services are specifically paid for. In the case of the short-line railroads the requirement is very often a great hardship, and sometimes means that the railroad company pays out more than it receives for its entire mail service. In the case of the larger railroad systems it is not so serious a hardship, but is thought that it should not be a requirement without special accounting.

Seventh. *Station rooms for transfer clerks.*—Eighth. *Station rooms for sorting mails.*—The station rooms for transfer clerks are not specifically paid for, but to a reasonable extent might be regarded as a proper auxiliary of the transportation service, especially if the Post Office Department would not assert the power to determine the size and location of them in the stations or terminals. In the case of station rooms for sorting mails, as in a post office or railway post office; a fair rental should always be paid, as is now done in some instances.

Ninth. *R. P. O. cars and apartments placed in railroad terminals hours before train's departure or held after train's arrival.*—This requirement is not specifically paid for; is very burdensome, and is a very valuable service in expensive terminals. The effect is to relieve the Post Office Department from paying rental elsewhere or from paying for the maximum requirements en route. It is not considered to be a reasonable auxiliary of the transportation service beyond the time needed for loading or unloading the mails.

Tenth. *Mail cranes, mail receivers, and mail catchers.*—These are demanded at the expense of the companies, although purely postal necessities. They sometimes entail enlarged secondary responsibilities, both burdensome and expensive, while relieving the Post Office Department of expenses justly their own. These requirements are likely to bear heavily on the short line roads.

Eleventh. *Transportation of railway postal clerks on duty and to and from duty.*—Twelfth (*a*) *Transportation of postal officers connected with Railway Mail Service.*—(*b*) *Transportation of postal officers connected with other branches of the postal service.*—Thirteenth. *Fines and deductions (including disciplinary action).*—Fourteenth.—*Speed.*—Fifteenth. *Frequency.*—There is no greater pay for a speed of 60 miles per hour than for 15 miles per hour. There is no greater pay for 100 trips a day than for one trip if the aggregate weight of mail carried is the same in both cases. Yet, if a single train fails to make its usual trip a deduction is made from the pay of the company. It should be admitted, however, that speed and frequency influence the allotment of mail tonnage to the roads giving the best quality of service and are thus rewarded indirectly.

Of the 15 items, car space is obviously the proper measure for items 2 and 3 (R. P. O. cars and apartment cars), but it is not a good measure for the other items, such as messenger service, or mail cranes, or station facilities. Neither is the weight of mail transported a good measure for these services because their extent and cost do not advance or recede in close accordance with the tonnage.

These auxiliary services deserve recognition and suitable remuneration, and a very good beginning would be to allow pay for mail apartments and relieve the companies

from the compulsory performance of messenger and terminal service without pay. It would also seem desirable to relieve the Post Office Department from the necessity for pursuing the precedent of compelling railroads to perform the other services and give them the freedom of mutual arrangement and agreement as in usual contracts in the commercial world.

Reverting to the main service performed by the railroads for the Post Office Department, the transportation of the mails, I have already intimated that the weight carried represents the essence of the service rendered. The delivery of the weight, the thing itself, at destination is a guarantee that the service was performed. The weight is easily ascertained by both of the contracting parties and joint verification is possible. If, instead of taking the weight of mail as the measure of the transportation service to the Post Office Department, we were to take the car space operated, we would be at least one remove from the thing itself—the mail transported. Instead of considering the traffic we would consider the container of the traffic, i. e., the car space either in full cars or in part of cars.

It is known that there is no invariable relation between mail-car space and the mail tonnage transported. The car space accepted by the Post Office Department in Document No. 105 showed for the whole country about 23 linear feet of car space per ton of mail. Yet, one route showed as low as 8 linear feet per ton, and one small railroad system showed 66 linear feet to the ton. These diverse results were partly the result of transportation conditions and partly caused by the Post Office Department's method of performing the service. We are enabled to see this disparity because we have the weights as well as the space, but if car space were the only measure there would be no gauge for determining the value to the Post Office Department of the car space used. Therefore, the amount of car space accepted by the Post Office Department for the mails would be determined by the varying opinions of subordinate officers with frequent fluctuations and consequent instability.

If it were possible to make a four-year agreement on mutually satisfactory terms, the railroad company to fix the rate, as the owner of a building would fix the rate, one might say that it would be immaterial which basis was selected because the company would be able to satisfy itself as to the adequacy of the pay and protect itself against excessive exactions. But when the rate of pay is not fixed by the railroad company and when experience has shown that the officials of the Post Office Department do not see the same space for payment that the railroad officials find necessary for operation, and when experience has shown that the Post Office Department even now alters its allowances of R. P. O. car space at frequent intervals, reducing authorizations on 30 days' notice, or even less, it is natural that a strong preference should be expressed for the more stable factor—weight of mail transported, which is less subject to mere opinion.

Another very strong reason should appeal to the Post Office Department. While it is true that there is no constant or exact proportion between bulk weight of mail carried and its attendant car space for distribution and storage, yet there is an approximate relation, especially if the "working mail" is differentiated from the "through mail." If an officer of the Post Office Department were attacked for overliberality in allowing car space to a particular railroad system, it would be difficult for him to defend himself without having the statistics of weight to quote.

For similar reasons the statistics of weight carried would be important to Congress or to the Interstate Commerce Commission when either is dealing with the question, because the value of the total car space paid for would be expected to rest in some measure upon the amount of the traffic, and this could only be learned by a periodical weighing, as at present.

In 1899, when the last joint congressional commission was studying this question, I held the opinion, which I surmise is still held by some officials of the Post Office Department, that if the department paid for car space instead of for weight they could load the space to the maximum, and so effect great economies. I am satisfied that this is a delusion. The low average load carried per car is really the result of the variable character of the traffic and not of the present basis of pay. The fact that the volume of mail in one direction is heavier than in the reverse direction lowers the average load, but the department can not control or change this condition. The further fact that the load from the heavy initial terminal varies from day to day can not be controlled by the department unless it takes all expedition and high quality out of the service by holding the mail back until it accumulates a full load, as in the freight service. Congress and the American people would not consent to this.

Superficially it appears quite clear that the average load per car is too low, and therefore extravagant, but close examination discloses the fact that this is an inseparable characteristic of the mail traffic and partly the price paid for expedition (including distribution en route).

It would therefore seem that there is nothing to be gained and much to be lost by both the Post Office Department and the railroad companies in substituting space as the sole measure for the transportation service and for the pay in comparison with the present basis by which about 90 per cent is apportioned to weight and about 10 per cent to space. The correct view seems to be that in the passage of time since the law of 1873 was passed the service has so developed, especially the distribution of mails en route, that the measure of weight is at present overemphasized in the law and the additional measure of space is underemphasized. If Congress would now allow pay for mail apartment cars, and if it would also revoke the law of March 2, 1907, so as to restore the former rates of pay for full postal cars, such action would give recognition to the changes that have occurred in the character of the service and tend toward a fairer adjustment.

Mr. BRADLEY. Unless Mr. Lorenz is about to make some remark, I would like to ask this question: Is it generally conceded outside of railroad circles that the passenger service on the railroads of the country as a whole is an unremunerative service?

Mr. LORENZ. It is frequently so stated. I can not state that it is generally conceded.

Mr. BRADLEY. What would you say, in your opinion, whether the statement is true that the passenger-train service is unremunerative to the railroads as a whole?

Mr. LORENZ. I do not think I could express an opinion, so much depends on the particular method of figuring the expense; but I am rather inclined to think it is not likely to be found as profitable as the freight.

Mr. MACK. That is pretty well demonstrated in the rate cases, is it not?

Mr. LORENZ. I think so. But testimony before this committee shows that on the New Haven the passenger service is the more profitable.

Mr. MACK. So, if the question of overpay or underpay were determined on relative revenues it would be founded on passenger service that at least is not excessively profitable?

Mr. LORENZ. That would be my impression; yes.

Mr. BRADLEY. If the rate per car-mile in the passenger-train service could be regarded as not distinctly profitable to the railroads as a whole it would hardly be necessary to make any deduction from that rate in the case of the mail service.

Mr. LORENZ. You mean, even conceding that the mail should earn a little less than the passenger service under ideal rate adjustments, it ought to earn as much as the passenger does now?

Mr. BRADLEY. Yes, at least that that would not be an unreasonable position to take.

The CHAIRMAN. All of you gentlemen are unanimous, are you not, in your opinion that the mail service should be self-supporting to the Government? In other words, that the charges asked by the Government of the citizens should cover the cost to the Government of the service?

Mr. BRADLEY. That is my opinion, absolutely.

The CHAIRMAN. There is no difference among any of you railroad gentlemen as to that?

Mr. MACK. I think not.

Mr. SNEAD. I do not think it would be good business to do anything else.

Mr. MACK. Of course there might be a little over or a little under which would not adjust itself with exactness; but the principle, I

think, we all agree on, that it ought to pay its way and the postage rate ought to be adjusted accordingly.

The CHAIRMAN. I desire at this point to put into the record the statement of Mr. A. H. Plant, comptroller of the Southern Railway, which he has submitted to the commission.

ASSIGNMENT OF RAILWAY OPERATING EXPENSES TO THE VARIOUS CLASSES OF SERVICE FOR WHICH SUCH EXPENSES ARE INCURRED.

The proposed law for the regulation of railway mail pay has as a foundation the allocation of railway operating expenses to freight service and to passenger service, separately, and a further subdivision of those expenses assigned to passenger service, between costs incident to the transportation of mails as distinguished from other passenger-train costs.

It is assumed from the proposed regulation that, if enacted into law, fixed and uniform rules or methods must be prescribed:

(1) By the Interstate Commerce Commission for the purpose of determining: (*a*) those costs incident to freight service; (*b*) those costs incident to passenger service.

(2) By the Postmaster General for determining that part of the passenger costs assignable to the transportation of mails.

The purpose of this paper is to point out the impossibility of fixing a general rule or method for allocating railway operating costs, separately, to the several classes of service for which they are incurred, which will be equitable alike to all carriers concerned and to the Post Office Department.

This segregation or allocation of railway operating expenses to the several classes of service is by no means a new or an experimental question. For years past it has had the serious and thoughtful consideration of railway managers, and especially of railway accounting officers, and their conclusions have invariably been that, while in some cases a part of such costs can be accurately assigned and that other costs are assignable with a fair degree of accuracy upon arbitrary bases applicable only to the individual line making this assignment, no trustworthy rule or method could be adopted which could with equity or with a fair degree of accuracy be applied to all railways alike.

As far back as 1885, in conjunction with several of my colleagues, careful consideration was given to the matter, and at that time, with far less complications and difficulties than now confront us, our conclusions were that there were too many elements of averages and approximations to be dealt with and too many varying conditions existing on different railways and on individual operating divisions of a single railway to warrant the establishment of a uniform basis for such an allotment. Since that time, by reason of the changed conditions incident to railway operations, such as heavier and faster trains of both classes, new and complicated appliances, the greater use of joint facilities for both classes of service, the complications and difficulties in the way of such a determination have materially increased, making the problem far more difficult of solution than it was at that time.

Prior to 1894 the scheme of accounting and statistics required of carriers by the Interstate Commerce Commission called for an assignment of operating costs to the two classes of traffic; i. e., freight and passenger.

Effective July 1, 1894, the Interstate Commerce Commission promulgated a revised classification of operating expenses, and from it I quote the following:

"The classification of operating expenses herewith presented has been nearly four years in process of revision. Every accounting officer of an operating road, as also all State railroad commissioners, have been asked for criticisms and suggestions, and there is hardly an important railway line in the country which has not been represented, either directly or indirectly, on some one of the various committees having this matter in charge. It is needless to say that some of the changes finally agreed upon do not meet the approval of all the members of all the committees, but the statement may be made without fear of contradiction, that this revised classification represents the best thought of the railway commissioners and the railway accounting officers of the United States."

Again, in that same document, is found the following:

"The most important change in this revised classification consists in the abandonment of the assignment of expenses between passenger traffic and freight traffic, a change which for a long time had been urged by accountants and which secured the approval of the State railroad commissioners at their fifth annual convention, held in Washington, April, 1893."

Going a little further back, we find, in the Fifth Annual Report of Statistics of Railways, issued by the Interstate Commerce Commission, being the report for the year ended June 30, 1892, pages 86 and 87, the following:

"The second change was the abandonment of the attempt to assign operating expenses to passenger and to freight traffic, respectively. This assignment was introduced by the railways many years ago, when the difference in the character of the two services was so marked as to permit it to be made with a fair degree of accuracy. With the development of railway economy, however, which has resulted in increasing the rapidity of freight trains and the weight of passenger trains, it has been found that not more than half of the items of operating expenses can by any means be assigned to passenger and to freight service."

Again, in the Sixth Annual Report of the Interstate Commerce Commission, pages 61 and 62, the following appears:

"This summary also contains a statement of the proportion of operating expenses assignable to the passenger service and to the freight service, but, as stated in the report of the previous year, this assignment appears for the last time in the present report, it having become evident that no trustworthy rule exists for making the assignment in question."

Thus we have, after nearly four years of consideration, an acknowledgment by the Interstate Commerce Commission that at that time and under more favorable conditions than exist at the present time no equitable allocation of the two classes of expenses could be made.

In 1906 the Interstate Commerce Commission, under authority vested in it by Congress, began its work of promulgating a uniform system of accounts to be kept by carriers subject to the act to regulate commerce. One of the first acts of the commission's accredited representative in respect to that work was the issuance of a circular letter to carriers, in which their views were asked upon certain pertinent questions of accounting, among which was question 5, reading as follows:

"While refraining at the present time from expressing any opinion on the proposal that an authoritative rule should be formulated for the separation of operating expenses incident to the passenger service and the freight service, it is recognized that certain expenses can be accurately divided between the two services named. Your attention is called to this matter with the request that you state in detail the extent to which and the manner in which such separation may be made."

The replies to that question summarized were, as shown on page 10 of Bulletin No. 13, issued by the Association of American Railway Accounting Officers under date of December 10, 1906, which is as follows:

"It is considered that the larger proportion of operating expenses can not be accurately separated as between freight and passenger service. There are a few accounts which can be separated by all lines, and several which can be separated by some lines, but not by all. Any arbitrary basis applied for this purpose to all roads would therefore produce results which would be absolutely incorrect and misleading.

"No division can be made of the accounts under 'Maintenance of roadway and structures' except perhaps as relates to a few individual buildings.

"The same condition exists as to the accounts under 'General administration expenses.'

"The maintenance of passenger and freight cars may be readily shown, but locomotives are for the most part used in both freight and passenger service, and the repairs can only be divided as between freight and passenger on an arbitrary basis. The remaining accounts under 'Maintenance of equipment' are subject to the same arbitrary conditions. Traffic solicitation and administration expenses may be separated as between freight and passenger on those roads which have through their organization provision for a separate staff of freight and passenger work, but it would be impracticable to divide on such roads as have one staff for the entire traffic department.

"The expense of handling traffic at stations and in yards is for the most part performed by a common staff, and the requirement is used for both purposes. In the train service the wages of train crews and the supplies for trains can not be separated when there is mixed train service. Dispatchers and protecting by telegraph are indivisible.

"Loss and damage, injuries, clearing wrecks, mileage and per diem of equipment, and insurance may be separated, with some minor exceptions, but the operation of joint tracks and terminals, floating equipment, and the remaining accounts under 'Handling traffic' can only be separated when under a particular organization they provide exclusively for one branch of the service.

"An examination of the replies submitted on this subject by the chief accounting officers of the railways of the United States shows a practical unanimity in support of

the conclusions reached by the committee, and such replies as propose a division give only such bases as are entirely arbitrary, and the accounting officers for the most part positively assert that the information is only approximately correct and would be valueless if used for any other purpose than as a comparison with the same property during a corresponding period.

"The only basis which receives any considerable support as applied to the separation of those expenses which can not be accurately divided, is that of train mileage, but it is a well-known fact that passenger trains vary widely in weight, speed, and number of stops; that the same conditions exist as regards freight trains, and that the disparity between the two services is even more strongly marked. The cost of maintaining tracks, apart from natural depreciation which is uninfluenced by the amount of traffic, is affected principally by speed, weight of load, and number of stops, but no known formula exists for determining the influence of each, nor can any basis be reached for averaging these elements as between the two classes of service. There are many other conditions which would influence the question, such as climatic conditions, the varying classes of traffic handled, both passenger and freight, differences of grade and alignment, etc., and it is therefore evident that no uniform basis can be provided for the purpose of making this separation throughout the country.

"If it is desirable to show expenses for passenger and freight service separately, it should be confined to only such items as can be charged direct to either service. Whenever it is necessary to prorate expenses to obtain such division the information furnished is without value and should not be required."

Again, in the latter part of the calendar year 1912 the question of cost statistics was taken up with carriers by the Interstate Commerce Commission, and the matter of allocating expenses to each of the two classes of business was carefully studied with the results outlined on pages 2 and 3 of Extract from Minutes of a Meeting of the Standing Committee on Corporate, Fiscal and General Accounts of the Association of American Railway Accounting Officers, held at French Lick, Ind., November 13 and 14, 1912, copy of which, marked "Exhibit A," is herewith submitted.

Thus it is shown that for approximately 20 years the matter of allocating operating expenses to freight service and to passenger service, separately, has been diligently and intelligently considered by both the officials of railroads and by the Interstate Commerce Commission with the conclusion always that no fixed or definite equitable rule could be found under which the allocation could be made.

It is true that, for comparative operating purposes, some railway companies allot their operating cost to the two classes of service, separately, and it is also true that, for special studies by individual lines, such allocations have been made. This, I frankly admit, can be accomplished with a fair degree of accuracy by and for an individual line, but a rule or formula which would make such an allocation possible on one railroad would be inappropriate to the affairs and conditions of another railroad. The individuality of and the particular conditions existing on each line must be taken into consideration and reckoned with; otherwise the results obtained would be incorrect and misleading. As a practical illustration of this fact, I submit the following: The gross cost of an individual operating expense for the year ended June 30, 1912, on the line I represent amounted to $3,100,259.95. Of this amount 98 per cent, or $3,038,936.69, could, under Southern Railway methods, be assigned to the two classes of service with a fair degree of accuracy. The proportion assignable to passenger service, under such methods, would amount to approximately 39 per cent, or $1,189,395.39. Applying the rule suggested by the Post Office Department the proportion of this expense applicable to passenger service would be 50 per cent or $1,534,359.14, an excess over Southern Railway Co.'s method of 29 per cent, or $344,963.75.

Another individual expense account of the same line and for the same period amounted to $3,327,144.82, of which, under Southern Railway methods, $3,258,073.34 could be assigned separately to the two classes of service. Of this latter amount the assignments to passenger service would be: Under Southern Railway method, 39 per cent, or $1,290,814.15; under method suggested by the Post Office Department, 51 per cent, or $1,678,233.58; post-office method in excess of Southern Railway method 30 per cent, or $387, 419.43.

Furthermore, notwithstanding the careful thought and consideration which has been given the matter by accounting officers, I find that there is a wide difference of opinion among them as to an equitable and proper basis or formula to be used for arriving at passenger train costs on an individual railroad. This fact was emphasized in a recent study of operating expenses made for a specific purpose. In that study it was necessary to approximate passenger costs. Four different plans, the result of much thought and consideration on the part of accounting officers, as well as the Post Office Department officials, were produced. Applying the four different plans to the Southern Railway Co.'s gross operating costs for the year ended June 30, 1912,

we find, under one plan, the costs assignable to passenger business were 32.24 per cent of the total operating costs; under another, the costs were 35.81 per cent; under the third, the costs were 35.83 per cent; and under the fourth, the costs were found to be 39.73 per cent. Thus under the four bases averages ranging from 32.24 to 39.73 per cent were found, representing a variation in costs assignable to passenger service of something over $3,200,000. In the second and third bases the per cents were fairly well together, varying only from 35.81 to 35.83 per cent, representing a difference of, in the aggregate, only $8,000. However, in one particular group of expenses the difference under the two plans aggregated over $1,000,000, such difference being made up and equalized in other expense accounts.

These results demonstrate most emphatically that, first, there is a wide variation in the opinion of railway officers as to what method should be used in assigning operating expenses to the two classes of service on an individual line; and, second, that no general rule can be produced which can be applied with any degree of equity to all railroads under all conditions.

REPORT OF THE SUBCOMMITTEE ON STATISTICS.

*Division of operating expenses between passenger service and freight service.*—The subcommittee on statistics, consisting of Messrs. A. H. Plant (chairman), C. I. Sturgis, L. A. Robinson, M. P. Blauvelt, Frank Nay, C. M. Bunting, C. B. Seger, and R. A. White, presented the following report on the allocation of operating expenses to passenger service and freight service, which was accepted and approved:

Whereas Commissioner B. H. Meyer, in his letters to the presidents of sundry railroads, in referring to division of operating expenses between passenger and freight, used the following language:

"I am advised that the question of separating expenses among the different branches of the business has been raised. This idea is as old as the railways. I believe such a separation should be undertaken as far as it can be correctly done without unnecessarily suggesting misleading conclusions. I have long felt that every useful scheme of operating statistics rests upon such a separation. I regard this separation as fundamental, and unless hitherto unthought of objections can be raised, I assume that all the carriers will cooperate in doing it in the future, as some of them have done it for many years past. A beginning could be made by reporting all expenses which are assignable to passenger, freight, and other branches of the business under existing classifications. All those expenses which can not be directly assigned should be reported unassigned, unless the carriers voluntarily desire to submit a complete apportionment. Such apportionments have been made very elaborately for important systems and the commission would certainly wish to get the benefit of this work; but I should be opposed, for the present at least, to any plan looking toward the assignment or apportionment of all expenses of every class to the respective branches of the business in reports to be made to this commission. If the commission is in possession of the figures representing expenses which are actually assignable, it can, if necessary, go beyond this, stating for the information of all concerned the bases more or less arbitrarily adopted for common items and the reason for their adoption in every individual case. I should be inclined to recommend the adoption of a report form which will leave it optional with the different carriers to report separately only the assignable expenses, leaving common expenses unapportioned, or to report a complete apportionment. In case the latter alternative is elected, however, each carrier should be required to state the basis upon which it made its apportionments and the reason for adopting that particular basis."

And whereas, in his remarks before this subcommittee in Washington, D. C., February 8, 1912, he reiterated that opinion using the following language:

"One of my suggestions was that, putting aside all controversy with respect to the separation of expenses between the different branches of the business, carriers might report all expenses assignable to passenger, freight, and other branches of service under existing classifications. As I see it from the point of view of the commission, I feel that this is fundamental. * * * It is axiomatic with you that before we can have anything in the way of cost, we must have a separation of expenses. Then, of course, you come in to the complicated question of mixed expenses, and expenses that can not be allocated. What would help the commission is the expenses that can be allocated and then enter those that can not be allocated. It would help if some companies would report all expenses which are actually assignable, designating other expenses as unassignable, unless they desire to submit a complete apportionment, stating the basis used. If 20 roads make such returns, it is quite possible that in those 20 roads there will be suggestions enough to lead to uniformity for 50 next year. So in working along these matters will develop. If

we would put ourselves to the problem like the people in the manufacturing business have put themselves to the problem, I am inclined to believe that we could make headway. I realize those differences that exist, and yet the fact remains that they, too, have these arbitrary apportionments to deal with. * * *. I did not mean to convey the impression that I had in mind to apportion 100 per cent of the expenses between different classes.

"In my written communication I intimated that I would oppose it. * * * As for the apportionment of expenses between freight and passenger; they might be divided as far as possible and then the common expenses put in a pot, so to speak. * * * I should hope that the matter of division between passenger and freight should not cause you to pause too long in the elaboration of our operating statistics. In the separation, between passenger and freight, here are certain things that have been definitely apportioned to passenger, say 40 per cent, and that leaves 60 per cent unapportioned. No one can use that. The present proposition is to separate the 40 per cent and then leave the 60 per cent to any one interested in making the additional separation."

And whereas the question of formulating rules for the division of operating expenses between freight and passenger was discussed by the special committee on corporate, fiscal, and general accounts prior to the promulgation of the present classification of operating expenses, at which time, after full consideration, it was decided that no fixed rules could be made which would apply alike to all railroads under the varying conditions.

And whereas this subcommittee has formulated a text indicating the items of operating expenses, under the existing classifications, which are directly assignable to freight or to passenger, and the question of apportioning expenses common to both classes of service has not been brought before this subcommittee;

And whereas while in practical experience some carriers have made division of expenses between freight and passenger, this has been true only in specific cases and subject to the individual judgment of the party making the division: Therefore be it

*Resolved*, That this subcommittee concurs in the view expressed by the special committee on corporate, fiscal, and general accounts in the year 1906, and that this subcommittee, after due and deliberate consideration, reiterates that no fixed rule for the division of common expenses between freight and passenger can be devised which will be equitable to all carriers, to the same carrier under all conditions, or to all divisions of the same carrier; and be it further

*Resolved*, That the attention of the commission be called to the fact that even the partial separation suggested by the commission of stating the amount of expense directly assignable to freight or passenger will involve some additional expenses to the carriers, with no appreciable benefit to the commission.

Thereupon, at 11 o'clock p. m., the hearing was adjourned.

By direction of the chairman the following letter, with accompanying memorandum, from Mr. M. O. Lorenz, associate statistician, Interstate Commerce Commission, is inserted:

INTERSTATE COMMERCE COMMISSION,
DIVISION OF STATISTICS,
*Washington, May 13, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SENATOR BOURNE: The inclosed is a memorandum of such thoughts as have occurred to me in reading the paper submitted to the committee on railway mail pay by Mr. A. H. Plant. I thought they might possibly be of interest to you.

Respectfully, yours,

M. O. LORENZ, *Associate Statistician.*

[Remarks concerning a paper entitled "Assignment of railway operating expenses, etc.," submitted to the committee on railway mail pay by Mr. A. H. Plant, comptroller of the Southern Railway.]

The purpose of Mr. Plant's paper is "to point out the impossibility of fixing a general rule or method for allocating railway operating costs, separately, to the several classes of service for which they are incurred, which will be equitable alike to all carriers concerned and to the Post Office Department."

He says that the problem is far more difficult of solution now than it was in 1885. This is surely not correct. To-day we have a uniformity in railway accounting which did not exist then. Furthermore, it is probable that with the improved accounting and with the development of traffic a larger proportion of the total oper-

ating expenses can be definitely assigned to one service or to another. On a road with a well-developed traffic there is probably less interchange of locomotives, for example, between freight and passenger service.

After giving certain historical facts, Mr. Plant says:

"Thus it is shown that for approximately 20 years the matter of allocating operating expenses to freight service and to passenger service separately has been diligently and intelligently considered by both the officials of railroads and by the Interstate Commerce Commission with the conclusion always that no fixed or definite equitable rule could be found under which the allocation could be made."

The reader would doubtless be misinformed if he came to the conclusion from this statement that cost accounting is a closed book so far as the Interstate Commerce Commission is concerned. Numerous recent decisions of the commission indicate that they are paying attention to estimates of the cost of carrying specific commodities. The commission has recently issued a formal order requiring railroad companies to state the extent to which and the manner in which they are separating their operating expenses between freight and passenger services, and while this order does not commit the commission to any policy regarding the matter, it indicates at least that they are still open to conviction. Furthermore, Mr. Plant near the close of his paper himself quotes certain expressions of Commissioner Meyer which indicate that at least one member of the commission hopes that a system of cost accounting for railways will be worked out, even though the time may not be ripe for a uniform rule for apportionments of expenses to be prescribed for all roads. He says, "I have long felt that every useful scheme of operating statistics rests upon such a separation." It is true that the former statistician of the Interstate Commerce Commission, Mr. Henry C. Adams, was opposed to cost estimates of this kind, but his successor, Mr. William J. Meyers, is of the opinion that a separation of expenses among the various branches of the services would serve a useful purpose.

So far as the resolutions of accounting officers are concerned, it may be observed that they as accountants do not have need for estimates of this kind, but we do find that other railway men resort to cost estimates to the extent that they have need for them. Operating officials, for example, have need for only a partial system of cost accounting. The expenses which they can cut down by economical methods are the ones which they watch. Traffic men have generally felt no need for cost estimates because it is their business to make rates as high as possible without curtailing the volume of traffic. Railroad lawyers, on the other hand, have made frequent use of complete cost estimates because they have found them to be the basis of the only effective argument which could be made in many cases to prove the reasonableness of an advance in rates or the unjustness of a reduction in rates. In attacking a 2-cent-fare law, they could proceed in no other way than to make a complete cost estimate. Mr. Plant himself mentions a recent study of operating expenses "in which it was necessary to approximate passenger costs." The following quotations are from a recent book by Mr. Samuel O. Dunn, entitled "The American Transportation Problem," Mr. Dunn being one of the editors of the Railway Age Gazette. He says: "Many railway men in their public utterances say that rates can not and should not be based to any considerable degree on cost of service. Their practice refutes their theory" (p. 13). Again: "If railways can work out cost figures to defend or to attack rates, they can work them out as more or less useful guides for making rates" (p. 18). Again: "One of the main obstacles to the better apportionment of rates according to costs has been the failure of the railways to develop as good methods of cost accounting as are in use in many manufacturing concerns" (p. 17).

It should be stated that much of the opposition to cost estimates probably would disappear if it were thoroughly understood that the term "cost estimate" should be understood as meaning "cost and use" estimate. Common expenses can not be assigned in a convincing way to branches of traffic on the ground that each branch causes so much expense. What can be measured is the use which each branch of the traffic makes of the common facilities, and whatever may be determined as a fair measure of the use will also be a fair measure for the distribution of the expense.

Mr. Plant's paper is purely destructive. In place of the post-office method, which he attacks, he gives us absolutely nothing to put in place of it as a means of ascertaining what is a fair payment to the railroads for the service of carrying the mails. The statement may be ventured without fear of contradiction that neither he nor any other railroad representative can suggest a method of telling whether the railroads are overpaid or underpaid for this service and demonstrate its correctness without directly or indirectly making a "cost and use" estimate.

WEDNESDAY, MAY 14, 1913.

COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The hearing was resumed, at the call of the chairman, at 10.30 o'clock a. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Hon. Harry A. Richardson, Senator John H. Bankhead, Senator John W. Weeks, Representative James T. Lloyd, and Representative William E. Tuttle, jr.

The CHAIRMAN. I will swear the gentlemen who are present, in order that they may participate in the discussion, which procedure will bring out any salient points which may occur to them.

Thereupon the following gentlemen were sworn by the chairman:

Ralph Peters, chairman of the Railway Mail Pay Committee; Herbert L. Fairchild, supervisor of mail traffic, Illinois Central Railroad Co., Chicago, Ill.; J. E. Mallette, representing the Union Pacific Railroad Co.; P. S. Eustis, traffic manager, Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.; C. A. Searle, mail traffic manager, Rock Island Lines, Chicago, Ill.; Russell H. Snead, manager of express traffic of the Chesapeake & Ohio Railway Co.; Bird M. Robinson, president Tennessee Railway Co.; John N. Drake, secretary and treasurer Short Line Railway Association; F. A. Campbell, agent transportation department, Norfolk & Western; S. C. Scott, assistant to first vice president, Pennsylvania Lines west of Pittsburgh; W. W. Safford, general mail and express agent, Seaboard Air Line Railway; James Peabody, statistician of the Atchison, Topeka & Santa Fe Railroad; Ivy L. Lee, executive assistant, Pennsylvania Railroad Co.; V. J. Bradley, general supervisor of mail traffic of the Pennsylvania Railroad System; J. P. Lindsay, manager mail traffic, Atchison, Topeka & Santa Fe Railway System, Chicago, Ill.; E. T. Postlethwaite, assistant to president, Pennsylvania Railroad; W. C. Wishart, statistician of the New York Central Lines; P. R. Albright, assistant to general manager, Atlantic Coast Line; W. W. Baldwin, vice president Chicago, Burlington & Quincy Railroad Co.; Joseph Stewart, Second Assistant Postmaster General; C. H. McBride, superintendent Division of Railway Adjustments Post Office Department; Albert Noble Prentiss, clerk, Post Office Department; Max Otto Lorenz, associate statistician, Interstate Commerce Commission; H. E. Mack, manager mail traffic, Missouri Pacific Railway Co.; Archibald H. Rowan, assistant to vice president, traffic department, New York Central Lines; Walter S. Baskerville, general agent mail traffic, Great Northern Railway.

## STATEMENT OF MR. RALPH PETERS.

The CHAIRMAN. Mr. Peters, what information, additional to what has already been submitted, have you to give to the committee?

Mr. PETERS. Mr. Chairman, we have carefully studied over and discussed the memorandum that you sent us through Mr. Bradley, which had been prepared by Dr. Lorenz, and we have studied over the suggestions of Mr. Lloyd.

The CHAIRMAN. That is, the establishment of four units?

Mr. PETERS. The establishment of four units as the basis of compensation for railway mail pay.

The CHAIRMAN. That is, the 60-foot car, the 30-foot car, 15-foot car, and the closed-pouch service?

Mr. PETERS. Yes. As I told you two weeks ago, we thought we were seeing daylight, but you told me you had not seen any. After studying the matter more and more, and after a long meeting last night in discussing the matter from various viewpoints, we could only see daylight in continuing to use the weight basis and distance as a basis for pay.

The CHAIRMAN. Your main objections to the adoption of Mr. Lloyd's suggestion of the 60-foot, 30-foot, and 15-foot car and the mail-pouch unit, being what?

Mr. PETERS. That you can not fix a rate that will be compensatory and continue giving fair compensation to the railroads, at the same time permitting your department to exercise all the economy it can to concentrate its load and keep down space; that you are going to make it impossible for the railroads to get increased compensation for the work they are going to perform. Furthermore, you are going to make it impossible for the administration to justify its payments to certain roads and its payments to other roads, without having weight to show that the payments were based on the service performed.

The CHAIRMAN. The difficulty being what? The difficulty of determination as to what the cost of the service is?

Mr. PETERS. No. I do not think that cost should enter into it. You can not take the cost as a factor.

The CHAIRMAN. That is not a factor?

Mr. PETERS. Merely for comparison to know that you are going too high or that your rate is more than compensatory or less than compensatory. Cost is an element to consider in getting at what is a fair basis.

The CHAIRMAN. What specific difficulties are in the way of taking the four units, the three different sizes of cars and the pouch service, and taking weight and getting a fair compensation for the service rendered? Where is the distinction between the two?

Mr. PETERS. You can throw a large amount of car space on one railroad and largely increase its compensation, if it is the desire to put that on the part of anyone in the department, and it can be kept down on another railroad so that there can be favoritism; and you have not the records to show, by your weights, that you are justified in doing it.

The CHAIRMAN. Why does not the same possibility of favoritism exist in the present method? They can send their mail just before the weighing on different routes and take it away from other routes, provided your objection is a pertinent one?

Mr. PETERS. They have the record of weights to show the service is performed, no matter what railroad it goes over.

The CHAIRMAN. But the weights would not be there unless the amounts had gone over the road. The opportunity for determination under the weight system, it seems to me, is equal with the opportunity for determination under the car-unit system.

Mr. PETERS. That is true, but the service has to be performed and you have the record of the weight to show that the service is performed. In the case of the cars you may not have that; you may be liberal with one road and require a liberal furnishing of car space without the heavy weights of mail and on another road concentrate your mail into a limited number of cars.

The CHAIRMAN. Let me ask you this: You have two forces operating, and would they not neutralize each other, the department to make an economical record and the transportation company to get all the business possible? Are not those two forces going to equalize each other under any system, providing the law specifies as to what the units are?

Mr. PETERS. They ought to.

The CHAIRMAN. Then, where does your objection come in?

Mr. PETERS. From our experience in the past they have not always done so. As I started to say in the first place, you are going to continue to increase the weights of mail.

The CHAIRMAN. As the service will develop.

Mr. PETERS. It is founded on facts. We understand that there is a requisition in for a new lot of scales for the Post Office Department for the parcel post and instead of those scales providing for a weight of 12 pounds they are providing for a weight of 21 pounds, with the idea that the weight limit of the parcel post is going to be 20 pounds.

The CHAIRMAN. That has nothing to do with the question we now have before us.

Mr. PETERS. I say it is going to be weight, and weight is going to increase all the time.

Mr. LLOYD. That is not done by any conference with the officials of the House or Senate and is not based on the idea that there is to be any change in the law.

Mr. PETERS. I do not believe you will hold your limit of parcel post to 11 pounds very long.

Mr. LLOYD. You are trying to create the impression before this commission that there is an agreement that the parcel post is to be raised to 21 pounds.

Mr. PETERS. I started out by saying there is gossip in the air.

Mr. LLOYD. What we want is facts and not gossip.

Mr. PETERS. Well, is it a fact that there are new scales being ordered for parcel post?

Mr. LLOYD. Yes, sir.

Mr. PETERS. To provide for a weight of 21 pounds?

Mr. LLOYD. I do not know anything about that. It certainly would be a proper thing to have a scale weigh more than 12 pounds.

Mr. PETERS. Your limit is now 11 pounds and the first scales obtained were for 12 pounds in order to cover just above your limit. The new scale would indicate that there is a possibility and a probability of an increase in the weight.

Mr. LLOYD. You know very well that the parcel-post rate is now fixed at 11 pounds and it is not going to be changed except by law.

Mr. PETERS. Has not the Postmaster General the authority, with the approval of the Interstate Commerce Commission, to change the conditions?

Mr. LLOYD. Not to change the weight.

The CHAIRMAN. After the Interstate Commerce Commission has made an investigation of the subject themselves, an ascertainment, and concur. First, you have to have the experience of the operation of the law, and then you have to have the determination of the Postmaster General, then the additional check of the requirement that the Interstate Commerce Commission shall make their investigation and that the two shall concur in relation to their findings.

Mr. PETERS. There is no more legislation needed. They have the authority after investigation.

The CHAIRMAN. They have the authority under some limitations, namely, ascertainment and determination as to the advisability.

Senator WEEKS. You do not mean to say they have the authority to change the weight?

The CHAIRMAN. Yes; to increase the weight or decrease the rate.

Mr. LLOYD. I think you are mistaken about that.

Senator WEEKS. I think so, too.

The CHAIRMAN. I am not mistaken, as perusal of the law will demonstrate:

The classification of articles mailable as well as the WEIGHT LIMIT, the rates of postage, zone or zones, and other conditions of mailability under this act, if the Postmaster General shall find on experience that they or any of them are such as to prevent the shipment of articles desirable, or to permanently render the cost of the service greater than the receipts of the revenue therefrom, he is hereby authorized, subject to the consent of the Interstate Commerce Commission after investigation, to reform from time to time such classification, WEIGHT LIMIT, rates, zone or zones, or conditions, or either, in order to promote the service to the public or to insure the receipt of revenue from such service adequate to pay the cost thereof.

Mr. Peters, would you criticize the department, or draw any inference as to what the intention or purpose was if in the purchase of instrumentalities to be used in the service they got the most efficient possible, providing the opportunity was the same? Would you not do that in the management of your own railroad?

Mr. PETERS. Every time. I would not criticize them at all.

The CHAIRMAN. Would you not take a scale with a capacity of 21 pounds in preference to one with a capacity of 12 pounds, if you could get it for practically the same price?

Mr. PETERS. I do not understand that you can get them for the same price.

Mr. LLOYD. Is not this true, that in all of these suggestions with reference to the change of parcel weight no suggestion has been made of 21 pounds?

Mr. PETERS. No; it was not 21, but it was 20 pounds.

Mr. LLOYD. There was no suggestion of 20 pounds. The next suggestion of increase of weight was 25.

Mr. PETERS. If you increase the weight, the bulk is not going to increase. You have got into the parcel post now about all of the bulky articles you can take, and you will not go up much on that. The weight tendency will be to concentrate, so that you can concen-

trate the greater load in your cars as the result of increasing the weight, like in parcels, and you have to stand by your weight, and the Post Office Department will have to keep a record of the weight for its own satisfaction, for the satisfaction of the Government, and for analyzing the business it does, the expense, and everything else, and they must have the weight. I made an extract from a book I was reading a few days ago by Prof. Abbott, of Princeton, called "The common people of ancient Rome." In one chapter he treats on Diocletian's edict and the cost of living. From that edict I find one section in which he fixes the price of transportation of one person 1 mile at nine-tenths of 1 cent. Rent for a wagon 1 mile, 5 cents. Freight charges for a wagon containing up to 1,200 pounds, per mile, 8.7 cents. Freight charges for camel load of 600 pounds, per mile, 3.5 cents. Rent for laden ass, per mile, 1.8 cents. This edict was issued in 301 A. D. There was the basis of your mail pay—the weight and the distance—and it was established by an edict of the Emperor Diocletian in the year 301 A. D.

The CHAIRMAN. Then, as I understand you, you claim that the cost has no particular bearing at all upon the question as to the compensation that is to be paid for the service rendered?

Mr. PETERS. I do not think it has any at all, except as a matter of information and comparison. If a body, like the Interstate Commerce Commission, is investigating the reasonableness of a charge, they will try to get at the cost, but you do not make the basis of pay on the basis of cost, and in a universal service of this kind with so many varying elements and varying conditions everywhere, I do not see how you can possibly reach any reasonable or fair basis of pay fixed on cost.

The CHAIRMAN. Then, to whatever extent cost might be or is a factor, the same difficulty would apply in the ascertainment of the cost whether weight or space were the measure adopted, would it not?

Mr. PETERS. No. Do you think so?

The CHAIRMAN. Why not? Where would be the distinction?

Mr. PETERS. The tonnage you haul affects your coal pile, and affects your wear and tear. Your space does not always do so, but you must know your weight.

The CHAIRMAN. The primary weight in the Postal Service is the weight of the car and not in the mail itself.

Mr. PETERS. It is in some cars, distributing space.

The CHAIRMAN. What is your average—that a 60-foot R. P. O. car will carry?

Mr. PETERS. I think now the general practice of the department requires something near 3 tons or a little below that.

The CHAIRMAN. From 2½ to 3 tons. What is the weight of the car itself; that is, of the new steel 60-foot R. P. O. car?

Mr. PETERS. I think about 120,000 pounds. I am not sure of that. Is that correct, Mr. Bradley?

Mr. BRADLEY. About 120,000 pounds.

The CHAIRMAN. So that the weight is really in the car, and not in the mail carried. That is, the greater proportion.

Senator WEEKS. How much more is that weight than the weight of a car constructed of wood?

Mr. PETERS. Our wooden postal cars usually weigh about 80,000 pounds, I think.

Mr. BRADLEY. About 50 per cent increase.

Senator WEEKS. How about the combination cars? How much do they weigh?

Mr. PETERS. Wooden combination cars run from seventy to eighty thousand pounds. The steel cars will run up to about the same as the others, though not quite as heavy as the 60-foot postal cars.

Senator WEEKS. How much more does it cost to haul a car weighing 100,000 pounds than one weighing 80,000 pounds?

Mr. PETERS. That varies in all directions, on different roads, but the consumption of fuel depends on the power or the pull on the draft of the locomotive. You will naturally consume more fuel and use more steam in drawing the 120,000-pound car than in drawing the 80,000-pound car, but I am not enough of a mechanical engineer to tell you the difference or the increase in cost, but it is perceptible.

Senator WEEKS. It seems to me, Mr. Peters, that that is rather an important element. Suppose you were carrying 5,000 pounds of mail in a car, you could not tell how much it would cost to haul it. In other words, if you were hauling it in a car constructed of wood, you would be hauling less weight than you would to haul an empty steel car.

Mr. PETERS. Yes; and we all know that the expenses of the railroad have already increased with the introduction of the heavy car. The costs have been running up for the last 10 or 15 years. The first economies the railroads made were in the introduction of large freight trains, which were made possible by the large locomotives. The large locomotives pull a big train, but it had a train of circumstances following it which meant the reconstruction of every bridge and relaying of the rails on the railroad, the reconstruction of all the cars, getting steel cars to resist the strain from the big locomotives and a big train, and the same way with the passenger trains. We used to haul 10 or 12 cars in a train, certain trains, with the largest passenger locomotives. Then they got all-steel passenger cars, and they can only haul 8 or 9, and we know that that has increased expenses all around, but it is due to getting safety and avoiding accidents.

Senator WEEKS. Five years ago the Pennsylvania Railroad was running trains between here and New York the cars of which were constructed of wood. Now it is running exactly the same kind of a train except the cars are constructed of steel, and the load carried is the same. How much more is it costing to furnish the motive power for the steel trains than for the former wooden trains?

Mr. PETERS. I have not seen any figures on that, but when they ran the 8 and 10 wooden cars they had what was known as the Atlantic type of locomotive, which would pull that train without any difficulty; the engine had certain tractive power. When they introduced the steel cars, they found they had to run two of this Atlantic type of locomotives to haul the same train and make the time, so they constructed a larger locomotive, large 10-wheeled prairie type or mountain type of engine, and they have gotten up with the all-steel cars now, and I have frequently seen two of those largest locomotives pulling the train where originally one locomotive

pulled the train when it was of wooden cars, and it was rare they had to double-head the engines.

Senator WEEKS. Is there not some one connected with the Pennsylvania Railroad who knows how much more it costs?

Mr. PETERS. Yes; I think we have officers who have made a study of that.

Senator WEEKS. I should think this was an important point, because if all the railroads were going to furnish steel cars, and it costs more to haul those cars, then the service the road is furnishing the Government is better and more expensive.

Mr. PETERS. It is better and much more expensive.

Senator WEEKS. We all admit it is much better, but how much more expensive is it?

Mr. PETERS. I will ask Mr. Scott or Mr. Bradley if they have had any records bearing on that point in our analysis of expenses.

Mr. SCOTT. I do not know of anything that I could give offhand. We have the figures in our annual report that show an increased cost. I think it demonstrates the increased cost on account of steel equipment to a certain extent.

Senator WEEKS. I suppose that that would be a question that would be figured out to a nicety, because your road and many other roads are going in on a large scale in the construction of steel equipment, and I should think you would know how much more motive power you would have to furnish to haul a train of the same length.

Mr. PETERS. I have all the figures, but I haven't them in mind at all. For instance, a train of 10 steel cars, each one weighing 60 tons, would amount to 600 tons; that is not a load for an engine to haul at a low rate of speed, but when you put that load back of an engine that has to make 60 or 70 miles an hour, it makes quite a difference, and the coal consumption is much higher than it was when we had 10 cars that weighed 40 tons each, or 400 tons to the train. It very nearly doubles the train.

Mr. MACK. Is it not true that since the Pennsylvania has had all steel equipment, the double-heading of trains is much more common? That has been apparent to me as I have traveled over the road, and I think perhaps it is quite a general condition.

Mr. SCOTT. I think there is no doubt about that, although I do not want to state it positively on the record.

Senator WEEKS. I think, Mr. Chairman, that it is so important that some one ought to furnish those figures. Here is a service which we admit is safer and better than the service which was rendered 5 or 10 years ago, necessarily the cars cost more, necessarily it costs more to haul the cars, and we would like to have those figures in the record.

Mr. PETERS. We will have those figures prepared and sent to you. In the award under the Erdman Act, recently made under the demands of the locomotive firemen, there was an increase made in the pay dependent upon the size of the locomotive, so that there has been an increased weight due to the larger locomotives that have to be furnished to haul the heavy steel cars, and the expenses in all directions have increased as a result of that. I stated in the earlier hearings that the conditions of operation were entirely different to-day from what they were in 1907, when your last reduction of pay was

made. Our expenses have been increasing in all directions for labor of all classes, but we could not get away from the matter of weight. In our letter to you under date of October 3, 1912, the reply of our committee to an inquiry from Chairman Bourne, we gave very clearly our reasons for saying that we should stand by the weight system, and in that letter made recommendations as to changes so as to give annual weighing and to give pay for compartment cars. The more we study this question, the longer we dwell on it and think over it, the more firmly convinced are we that our position at that time was the correct one and the safest one for the Government, the safest one for the railroads, and that you ought not to depart from it; that it would be unsafe to depart from it, at the present time, until we ultimately know the development of the parcel-post business.

(Under date of June 18, 1913, Mr. Peters addressed a letter to the chairman of the joint committee transmitting the sworn answer of Mr. A. W. Gibbs, chief mechanical engineer Pennsylvania Railroad Co., to Senator Weeks's interrogatory next above, which answer and exhibit attached read as follows:)

COMPARATIVE STATEMENT OF COST OF HANDLING STEEL AND WOODEN POSTAL CARS.

THE PENNSYLVANIA RAILROAD CO.,
*Philadelphia, June 14, 1913.*

Mr. V. J. BRADLEY,
*Chief Supervisor of Mail Traffic.*

DEAR SIR: Referring to your request for data concerning the extra cost of handling steel trains, as compared with wooden trains:

We find it difficult to give a categorical answer. The best data which we have been able to get from the test department is shown by the inclosed table and blue print, which would indicate that with the present 62-ton steel postal car, as compared with the previous 40-ton wooden car, the increased hauling resistance is about 20 per cent at speeds of 30 to 60 miles an hour, reaching 22 per cent at 70 miles.

In considering the increased hauling resistance it must not be forgotten that as an incident of the introduction of the steel postal car it has been necessary to add electric lighting appliances, in which the power for generating the current is taken from the car axle. Of course this means just that much more drain on the capacity of the locomotive.

It strikes me, however, that the answer to the question is not quite so simple as would appear from the table. As an incident of the introduction of the steel car, we have been obliged to discard from the service in which these cars have replaced wooden cars practically an entire set of engines and substitute larger ones, and our annual statement of the coal consumed per car-mile seems to indicate an increase varying on different divisions from 9 per cent to as much as 19 per cent, and what is rather striking is an apparent diminution in the number of cars per train. I would explain that this figure of cars per train is obtained by dividing the total number of miles run by passenger locomotives into the total number of miles run by passenger-equipment cars of all kinds, and the real meaning is that the locomotive mileage has increased decidedly more than the passenger-car mileage, partly explained by the fact that on an increasing number of trains two locomotives are employed. I do not wish to be understood as saying that the postal cars alone are to be charged with all this expense of replacing locomotive equipment, for the substitution of steel for wood includes all classes of equipment.

It may be asked why we have not detailed figures as to the increase in cost. The reason is that the burden of the clerical expense which we are obliged to continue is such that figures which are not absolutely necessary are dispensed with. Among other accounts which are no longer kept is that of the operating cost of locomotives by classes. In other words, the detailed costs chargeable to locomotive repairs are pooled, and it is impossible from the available data to separate the increased cost in the case of passenger locomotives from that of

other classes. We do know, as a matter of fact, that we have substituted large locomotives for small locomotives and that our cost of maintenance has increased.

In attempting to measure the increased cost in the operation of steel postal cars we must take note of a number of factors:

1. The cost of construction of steel postal cars we estimate at $12,000. To get a comparative figure for wooden postal cars, I have taken the cost of the last fifty-five 60-foot wooden postal cars and obtained an average of $5,849.35 per car.

2. The weight of the 70-foot postal car averages about 125,500 pounds, as compared with an average weight of 88,888 pounds for the wooden postal car.

3. The cost of maintenance of steel postal cars was recently carefully estimated at $3,418.56 per car per year for a 70-foot steel postal car, on the basis of a run of 106,000 miles annually. The only available estimate of the cost of maintenance of 60-foot wooden postal cars is that of January 4, 1911, which is $1,966.57 per car per year, on the basis of 107,334 miles run.

4. As already stated, the increased tractive effort necessary to haul the present steel equipment is about 20 per cent higher than that required for the wooden equipment.

Thus, not taking into account the question of wages, the increase of 105.1 per cent in the cost of construction, the increase of 41.2 per cent in the weight, the increase of 20 per cent in the resistance, with the large increase in the cost of maintenance, would, I think, justify the increase of from 5 to 10 per cent in compensation, notwithstanding the fact that it is impossible to attribute to each of these factors an exact money value.

Yours, truly,

A. W. GIBBS,
*Chief Mechanical Engineer.*

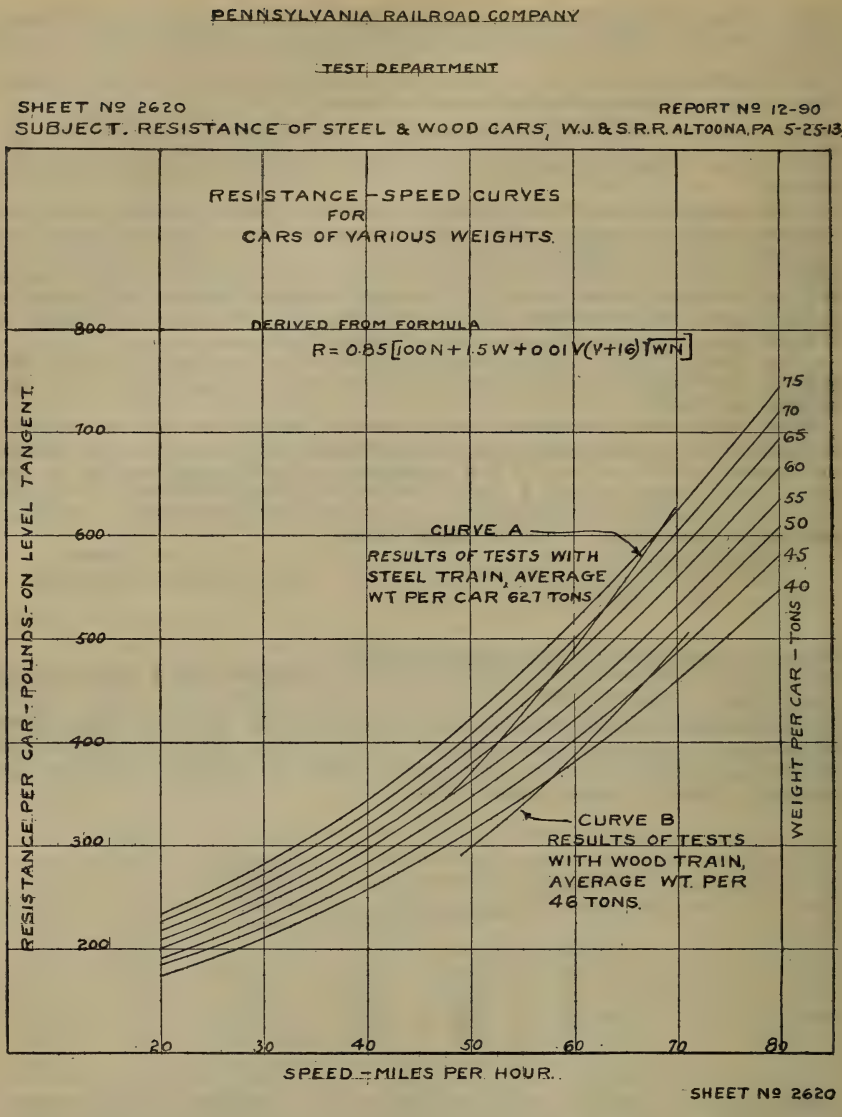
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From test department, Pennsylvania Railroad:
With letter, A. W. Gibbs, C. M. E., to Mr. V. J. Bradley, chief supervisor of mail traffic, June 14, 1913.

The following, deduced from the calculated curves on sheet No. 2620, shows the per cent increase in resistance per car of 60-ton cars (the approximate weight of the M–70 and Ms–70 steel postal cars) and of 40-ton cars (the approximate weight of wooden postal cars):

| Speed, M. P. H. | Resistance. | | Per cent increase for steel over wooden cars. |
|---|---|---|---|
| | 40-ton car. | 60-ton car. | |
| 30 | 210 | 252 | 20 |
| 40 | 258 | 310 | 20 |
| 50 | 315 | 380 | 20 |
| 60 | 382 | 460 | 20 |
| 70 | 460 | 560 | 22 |

This per cent increase in resistance will result in an equal per cent decrease in the number of cars which can be hauled by a locomotive at the various speeds.




The CHAIRMAN. Referring back a moment to your mention of Mr. Abbott's work, as I understand, your contention was that the Diocletian plan was for weight and not for space?

Mr. PETERS. Yes.

The CHAIRMAN. Was not the charge the same for a wagon or animal, whether full-loaded or half-loaded?

Mr. PETERS. The freight charges for a wagon containing up to 1,200 pounds was, per mile, 8.7 cents.

The CHAIRMAN. But really it was space and not weight? I do not think that has any bearing on this matter, as to what they did in those times.

Mr. PETERS. Your space was like that; but as to the weight it would carry, you could not go above 1,200 pounds.

The CHAIRMAN. But the charge was the same whether you carried 100 pounds or 1,200.

Mr. PETERS. That may be true, but it would not go above 1,200 pounds. In this case the suggestions are that you will have space alone, with no limitation as to the weight.

The CHAIRMAN. Except as to the amount of weight that can be gotten into the space. Then, in a subsequent study of the problem, as I understand, you and your associates, representing the transportation companies, see no reason to modify your views as to your position that weight and not space should be the determining factor or measure of the service rendered?

Mr. PETERS. That is correct.

The CHAIRMAN. Do your associates agree with your position that the cost of the service is not a material factor, but simply a collateral one, if used at all?

Mr. PETERS. I think that that is the unanimous expression of feeling that was given out at our meeting—that cost could not be used as a basis of compensation.

The CHAIRMAN. But is it not a factor to be taken into consideration with other data on which to come to a conclusion as to the compensation to be paid?

Mr. PETERS. It is a useful factor, if it can be accurately ascertained; but up to the present time there is too much dependence on the judgment and the local conditions surrounding the person figuring the cost to make it possible to get an accurate. safe measure.

The CHAIRMAN. Mr. Peabody, as I understand, in your testimony which you gave some two weeks ago, you said that you thought the cost was a vital factor, did you not?

Mr. PEABODY. Not for the determination of the rate; no, sir. No railroad rates have ever been determined upon cost, and costs are so variable for different roads, to compete for exactly the same business it would not be a factor that would be worth very much. The rates necessarily must be the same, but costs may be entirely different. The factor of cost for a determination of rates has never been used.

The CHAIRMAN. What value do you give to the cost ascertainment, then? What is the use of trying to determine what the cost is in transportation business?

Mr. PEABODY. Simply to know whether our rates are remunerative to us or not—to each individual road—but not as the basis for transportation to the public, but as to the returns to the railroad.

The CHAIRMAN. Then, for your own information, you consider cost as absolutely vital?

Mr. PEABODY. Yes, sir.

The CHAIRMAN. But it is not to be considered in the compensation received for the service rendered?

Mr. PEABODY. Not as a determinant factor. It is useful in determining whether or not we are getting below the costs on any of our roads, in the making of our rates.

The CHAIRMAN. What do you say to that, Mr. Lorenz?

Mr. LORENZ. I think Mr. Peabody, in saying that cost is not used in making rates, has in mind the fact that the freight charges could not be made upon that basis because, perhaps, some commodities would move under such a rate and some would not, but it seems to me that that consideration totally fails when you come to the ques-

tion of fixing a rate for the transportation of mails. There the prime question is, What is and what is not a remunerative rate to the railroads? It is not a question of what the Government can or can not pay, so I think, so far as the present problem is concerned, Mr. Peabody's admission that you can ascertain the costs and can tell whether a particular rate is remunerative or not, completely disposes of the objection which he mentions.

Mr. PEABODY. May I ask this question? Take the Chicago Great Western and the Atchison, Topeka & Santa Fe roads. The cost to the Chicago Great Western on the passenger business, which carries mail between Chicago and Kansas City, would be much higher than that on the Santa Fe road. Which cost would you take as the basis of the rate? The rate must be the same.

Mr. LORENZ. Of course, which cost to take as a basis would be a matter for the committee to determine, having determined whether the one road was more efficiently managed than the other, or whether the cost was abnormal on account of local conditions, but if they wished to allow a rate which is remunerative to every road they would take the higher cost. That would be a difficulty which would not be at all in the way of using cost as a basis of determining whether the railroads as a whole were overpaid or underpaid.

Mr. PEABODY. I think my statement was, the costs had never been considered in the making of a rate. Whether or not it could be used as a collateral factor in the determination of a rate may be worthy of consideration. We ourselves do use it to determine at times whether or not our rates are remunerative to us, but the costs varying as they do on different roads and without regard to efficient management at all, absolutely makes it an indeterminate factor, if you please, in the determination of a common rate which must apply to all roads.

The CHAIRMAN. How are you gentlemen able to demonstrate that you are insufficiently paid by the Government, which I understand is your contention, unless you use costs to the transportation company in reaching your conclusions upon which you claim your demonstration?

Mr. PEABODY. We can not.

The CHAIRMAN. So that cost is a factor?

Mr. PEABODY. Cost is a factor to determine whether or not we are properly paid as a whole, yes, for each individual road, but how far you can use that, as a common basis, is a very serious question.

The CHAIRMAN. What are the factors that you take into consideration by which you come to your conclusion that you are underpaid?

Mr. PEABODY. I never have made any figures except in connection with the Santa Fe road proper. We use the cost there to determine we are underpaid, and we have on file in the record a statement showing the basis that we did use and showing the returns to the railroads are not remunerative.

The CHAIRMAN. Then, with the Atchison System, cost is your primary factor in your determination?

Mr. PEABODY. So far as the minimum rate is concerned, yes.

The CHAIRMAN. You would have the same difficulty with the ascertainment of cost, whether space or weight were used as the measure of the service rendered.

Mr. PEABODY. Certainly.

The CHAIRMAN. Equally applicable, and hence not a factor to be considered in the problem as to the desirability of the substitution of space for weight. That is true, is it not?

Mr. PEABODY. Yes.

The CHAIRMAN. Because the difficulties are exactly the same?

Mr. PEABODY. It would be considered so by us on the Santa Fe.

Mr. PETERS. You make us differ a little on that.

The CHAIRMAN. We want all the different viewpoints we can get.

Mr. LLOYD. If cost is not to be one of the principal factors, or is not to be a factor to be used in determining what should be paid by the Government for carrying the mail, what are the factors to be used?

Mr. PETERS. Cost is necessary as a measure of defense to show that you are not authorizing a service, in a way, that is compensatory.

Mr. LLOYD. But that defense is made by you. We are trying to reach a conclusion as to what the Government ought to pay, and you say, now, as I understand you, that cost must not enter into that determination at all. If so, what are the factors that should enter into what should be the rate of pay?

Mr. PETERS. I think you misunderstood me. We are glad to take up the cost figures to show that we are underpaid. But cost, as a basis of pay, as proposed originally by the Post Office Department is what I objected to, and said that we did not make any rate and had never attempted to make a rate on the basis of cost.

Mr. LLOYD. Let me see if I understand you correctly. The position of the railroad companies at the present time is this: They come before this commission and say "We are underpaid." They say they are not paid as much as it costs to render the service, and they want the rate changed so that they will receive pay equal to the cost of the service and a reasonable compensation in addition. That, as I understand you, is your position?

Mr. PETERS. Yes.

Mr. LLOYD. If that be true, then the very first thing to determine is, What is the cost? And then you add a reasonable profit and you determine what the rate of pay should be.

Mr. PETERS. We welcomed the investigation that was started in 1909, knowing that it would show the fact that we were not getting compensation enough, but, unfortunately, Document No. 105 was not prepared with the candor and frankness that it should have been.

Mr. LLOYD. Do not use that expression.

Mr. PETERS. Well, I do not mean to go that far. They were mistaken in their ideas and their way of preparing it, and errors crept in there that were made to show up very badly for the railroads and very favorably for the Government. In the study of that document and in the examination here it has been conceded that the document was full of errors, that there had been mistakes made in it and that correcting of those mistakes showed a different state of affairs.

Mr. LLOYD. Do you understand that the Government, through the Second Assistant Postmaster General, yet concedes that it made a mistake?

Mr. PETERS. I think the records will show that Mr. McBride stated that he did not consider it was fair to put into the space of the

passenger operation of the train the dead space that really belonged with the mails, and that that has not been fair, and that it altered the figures very materially.

Mr. LLOYD. Did you make that concession, Mr. McBride?

Mr. MCBRIDE. I think the record will show that the department has conceded that part of the space that was charged as dead space should have been charged to the mail service, referring particularly to the return movement of full postal cars and storage cars that could not be made use of by the companies. The statement is made in a letter from the former Postmaster General, Mr. Hitchcock, that in the consideration of the question certain modifications in the use of the data were proper.

Mr. LLOYD. And the letter to which you refer is in the record?

Mr. MCBRIDE. Yes, sir; it is in the record.

Mr. PETERS. I think the investigation has already shown that there were errors and wrong deductions in Document No. 105.

Mr. MACK. I was going to suggest that at this point the particular points in Postmaster General Hitchcock's letter be placed in the record, as the letter itself answers the points raised, and it appears in your blue book, the preliminary report, Volume I.

The CHAIRMAN. It is already in the record, and there is no necessity for reinsertion.

Mr. PETERS. You were not present at one or two of the hearings at which it was brought out. It was all brought out in a friendly and fair way that the costs shown in Document 105 were not an accurate and correct exhibition of the statement. It took only one month and one method of distribution of accounts, which was not the generally accepted method; it took also space from one branch of the service and put it into another, in an arbitrary way, where it really did not belong; and it did not take into consideration interest on the property or the investment that was producing the service, so that it was not a correct display of costs. It was the latest investigation, and the only complete investigation that had ever been attempted on the question of costs. In the hearings I suggested that we ought to do that over again, and try, with the department and the railroads cooperating, assisted by representatives of the commission, to get the actual costs, so that we would have something that could not be questioned; yet that would cost a lot of money and it would take a lot of time to do it.

Mr. LLOYD. Now, coming back to the other question: You stated positively, as I understood you a few minutes ago, that cost ought not to be taken into account.

Mr. PETERS. I said a rate based on cost alone was not a matter to be taken into account, that we did not base rates on cost.

Mr. LLOYD. You took it as a determinant factor. If you take it out altogether as a determinant factor, in reaching the determination of the rate, then what is the use of making an investigation as to cost?

Mr. PETERS. Merely to convince and show the public that we are not overpaid for the service that we are performing. It has been charged in all directions that the railroads were overpaid for the service, and even statements in Document 105 show that our claim is correct that we are not overpaid.

Mr. LLOYD. Will you be kind enough now, in a succinct statement, because you have given this matter a great deal of attention, as a representative of the railroads, to state what it is that ought to be the determinant factors in the ascertainment of the rate that ought to be charged for carrying the mails?

Mr. PETERS. The value of the service performed for the Government.

Mr. LLOYD. How do you determine that value?

Mr. PETERS. Perhaps you would take into consideration——

Mr. LLOYD. I am asking what you would take into consideration, and not what I would.

Mr. PETERS. The value of the service to the Government and the value of the revenues to the railroads. The service is an universal service, it has to be performed for all of the people alike and under like conditions. One road may get sufficient compensation from it to make it a good and desirable service, and may be able to make a little money, or get in enough revenue to help bear a portion of the overhead charges, while with another road it becomes a burden depending on the regulations and the exactions of the service to suit the department.

To determine that value you have to compare rates for other services, you have to compare costs, if you wish, although I believe in making rates in the past, as they have grown up; they did not go to the question of cost, but they made them as to what the traffic would stand, and if the railroads had to make a rate for the carrying of the mails they would go on that basis of making a rate as to what the traffic would stand, and they would make a rate that would give them that traffic and would not go into the complete analysis of the costs and all the other details concerned with it. In this case we can not get what the traffic will stand; we can not get anything more than what Congress is willing to give. You might fix a basis of pay on a car measure, as suggested by you, and make a rate per car high enough that would give a very good return to the railroad, but when you came to apply it and figure it out on a rate that would be high enough to permit all sorts of concentration of load, you would make such an increase in the total pay for carrying the mails that you would never get it through, you would never be able to pass any bill covering it. Now, we know the ills under which we have suffered, we know the difficulties of having anything put through Congress affecting the question of mails, and we prefer to stand right square on the basis of weight and rate per mile, as we have stood for 40 years, although in that time we have had reduction after reduction. If we had somebody to trade with we could sit down and settle this thing in a very short time, but Congress will not trade, they can not do it, and we feel that the safest basis for the Government and for the railroads is to stand by the weight and distance basis.

Mr. LLOYD. If it were possible to work out a scheme by which the general public knew that it paid so much per mile for each car used, do you not think that it would be much easier to explain to the people than the present system?

Mr. PETERS. It is very simple, but can you ever get such a basis put through Congress? Can you ever have such a basis enacted on a rate that would compensate the railroads?

Mr. LLOYD. If it produced the same rate as the present you would be in the same position that we are now. It could be worked out so that you could make practically the same compensation.

Mr. PETERS. The rate at present is not fair when you have added from 25 to 30 per cent under the business of the parcel post.

Mr. LLOYD. You seem to be impressed with the idea that Congress has no purpose of paying you for the additional business on account of parcel post. I think I can disabuse your mind on that. There is no disposition on the part of Congress to avoid the payment for extra service rendered by the railroads for carrying parcel-post matter. That is a safe statement.

Mr. PETERS. When you had your appropriation bills up, Congress was not falling over themselves very rapidly to give a new weighing.

Mr. LLOYD. Then we knew nothing about it, and you were asking for an additional weighing at an unusual time.

Mr. PETERS. Only in order to get the parcel post in.

Mr. LLOYD. And it was left largely to conferees.

The CHAIRMAN. Who gave you a 5 per cent increase?

Mr. LLOYD. We gave you something we may not have given you before.

Senator BANKHEAD. Do you think, Mr. Lloyd, that the Government, in the last analysis, is going to pay the same rate for parcel post that they will pay for first-class mail?

Mr. LLOYD. I do not know whether they will or not.

Mr. PETERS. It is all carried together. In England the Government gives the railroads 55 per cent of their receipts from parcel post.

Senator BANKHEAD. The point I have in mind is, I do not know whether it is practicable or not, but sooner or later we will have to separate the parcel post from first-class mail matter.

Mr. PETERS. That is going to make it expensive for the Government, and they will have to have separate post offices and separate clerks.

Mr. LLOYD. You are not going to consent to carry it without compensation?

Mr. PETERS. You do not want us to carry it without compensation. We are part of the people.

Senator BANKHEAD. That is the point I am making. This is a question I know very little about. There are very many difficulties concerning it to meet and overcome.

Mr. LLOYD. Mr. Peters seems to be impressed with the idea that Congress does not want to give anything extra for carrying the parcel post matter.

Senator BANKHEAD. I think he is mistaken about that, but the thing he has in mind is that Congress is not going to give a sufficient compensation.

Mr. PETERS. I believe you suggested some rates here the other day.

Mr. LLOYD. That was only tentative. I do not want to be understood as saying that those are the rates, if I were going to write a bill, which I would put in the bill. We were just talking amongst ourselves about trying to get the matter down to a basis where the people could understand what the rate is. If any man asked me to-day what we are paying the railroad companies for carrying the mail, I could not answer as to the unit. I can say we are paying $55,000,000 in

round numbers; but if I can say we are paying 25 cents a mile for every car we carry, or 50 cents a mile, it is something which we understand. It is a question like this: What do you pay for passenger service from here to Baltimore? You would say, "2½ cents a mile," and a man would understand that; but if in answer to that question I had to say, "What do we pay for passenger service—$275,000,000?" they would not have any conception about what the pay is at all. However, when I say the pay is 2½ cents a mile a man travels, he can understand that. If we can get this down to some system by which we can say we pay 25 cents a car or 50 cents a car for every mile that car moves, any man can understand that. I do not say it can be done; it puts us in a position we can explain to the people what the basis of pay is. Here are Members of Congress, and I will warrant you that there is not one of the five here that can in an hour's time make a speech to a promiscuous audience and satisfactorily explain the present system of railway-mail pay so that five persons in that audience could afterwards understand and explain it. In the first place, I doubt whether any one of us ourselves could explain it.

Mr. PETERS. It is so many pounds per mile of road, averaged daily. I got in deep water trying to figure out how much of an increase I was getting on a line running from Long Island City to Greenport, 94 miles, and on 20 miles of that we had an increase of 35,000 pounds a day. I wanted to distribute that over my whole line, and it took me a long time to figure it out, and I found the increase on 20 miles a day, at 35,000 pounds, only amounted to some 600 or 700 pounds a day on the 94 miles; but you have to average that up per mile per annum. It is difficult to understand, too, when you come down to the fine point—your average weight per mile of road per annum, and your pay, which is an arbitrary one, based on Diocletian's edict of what had been the pay for the wagon and the horse. Your Government has been well protected, and it has applied the test for 40 years.

Mr. LLOYD. It has stood the test with constant annoyance as to whether it is the right rate of pay, and it is constantly being discussed all over the country by the railroads and the people—the people themselves believing, as a rule, that they are paying too much, and the railroad companies are convinced that they are receiving too little. That is the situation to-day after 40 years of experience.

Mr. PETERS. Yes; and a great many Members of Congress still feel that that is the case—that the railroads are getting too much money.

Mr. LLOYD. Yes, sir. I suppose I am safe in making the statement——

Mr. PETERS. We want to collaborate with you and join with you in helping get up a report or get facts out that will disabuse the minds of Congress and the minds of the public, or put this in such a clear way that all will understand it, but in doing that we do not see how you can get away from the weight basis. If you can make a combination of weight and space, all right; but the condition is such that we do not see how you are going to get away from what has been the basis all along. I understand that Mr. Stewart or Mr. McBride, or some of the officials of the Post Office Department, have made some figures on the points suggested by you, and I wanted to ask the Senator if he would not put Mr. Stewart on and let him give the result

of his calculations from the study that he has made of the suggestions of Mr. Lorenz and Mr. Lloyd.

The CHAIRMAN. I will be glad to do that a little later.

Mr. PETERS. I have no prepared statement to make to-day, except to repeat that we stand by the weight basis.

Mr. LLOYD. I regret very much to say I can not tell what the rate of pay ought to be. I am going to find that out.

The CHAIRMAN. I was going to ask Mr. Bradley what factors he would take into consideration if he had the determinant voice as to what compensation should be rendered by the Government for the carriage of mail.

Mr. BRADLEY. Mr. Chairman, I have been thinking over the matter while Mr. Lloyd was seeking for a speech to his constituents explanatory of the subject, and it occurred to me that this point could be made to the inquiring constituents: Congress in appropriating money for railway mail pay is perhaps not appropriating public funds for public services in the usual sense, but is rather distributing the revenues derived from the postal service to those who perform that service in proportion to the value of such service. If we follow that line of thought to estimate the proportion of the postal revenues or of the postal expenditures (which are about even) that should be devoted to railway mail pay, and if we glance back a few years to the time when the last investigation was made by the Wolcott-Loud Commission, we find that the item of railway mail pay at that time was about 35 per cent of the total expenditures. At the present time, it is, roughly speaking, about 20 per cent of the postal expenditures. The total pay to the railroad companies for carrying the mails and furnishing the railway post offices is about $55,000,000, and I believe the postal revenues are about $240,000,000, or thereabouts. It would therefore seem to be a fair conclusion in the passage of time, 13 years since the last investigation was made when the committee reported to Congress that the railroads were then not overpaid, that there had been a relative reduction in the total amount which the railroad companies received for performance of the service.

As to the value of the service, I think it will be readily admitted that we could not possibly have a national postal system without the railway transportation, and that it is perhaps the most important, or certainly one of the most important, features of the postal service. The determination would be further assisted by the investigation of 1909. After a careful ascertainment of the car space devoted to the mail service by all railroads of the country carrying the mails, in comparison with the amount of car space devoted to passenger and express business, it was found that the value of the mail-car space was represented by an earning of 19½ cents a car-mile. The representative of the Interstate Commerce Commission testified that the average earnings of passenger-car space for the whole country is 25½ cents per car-mile.

The CHAIRMAN. That is Dr. Lorenz you have reference to?

Mr. BRADLEY. Yes; Dr. Lorenz. It therefore seems to be a fair inference that the railroads are not paid proportionately an adequate amount for the car space occupied by the mails in comparison with the passenger-car space which itself is generally considered to be operated as an unremunerative portion of the railroad company's business.

The CHAIRMAN. To summarize, then, what factors would you take into consideration in determining what compensation should be paid if you had the authority to determine that?

Mr. BRADLEY. I think that the first point toward reaching a result would be to ascertain the judgment of the joint congressional commission as to what should be the percentage of the postal revenues to be devoted to that purpose at the present time.

The CHAIRMAN. How are the congressional joint commission to come to any determination without they have information and data upon which to base their conclusions, and what data would they require before basing their conclusions, from the standpoint of specialists in transportation matters?

Mr. BRADLEY. I think it can only be arrived at in considering such facts as I have just outlined, enabling one to reach an approximate judgment.

The CHAIRMAN. And the primary question or point being what, in any conclusion, that the committee might come to? What factors should be given the greatest weight, in your opinion?

Mr. BRADLEY. Do I understand the question as applying to the ascertainment of the total amount which should be paid to the railroad companies for the performance of the service?

The CHAIRMAN. Yes; and, secondarily, how that amount would be apportioned?

Mr. BRADLEY. The first point, of course, deals with the value of the service to the Post Office Department, and to the people, and I think that can best be fixed by the judgment of the committee as to the percentage of the total postal revenues that should be devoted to that purpose.

The CHAIRMAN. What, in your opinion, should be that percentage? If you were a member of the committee, what percentage would you recommend to the other members of the committee?

Mr. BRADLEY. If 35 per cent was a fair proportion in 1900, when the railroads were declared to be not overpaid, and in view of the fact that expenses have largely increased, perhaps 40 per cent would not be too much to assign.

Mr. LLOYD. Then, at the present time you would assign $100,000,000 instead of $55,000,000?

Mr. BRADLEY. At the beginning of the final investigation.

Mr. LLOYD. You say that there was a reduction from 35 per cent to 20 per cent. What makes that reduction?

Mr. BRADLEY. The reduction is partly due to the legislation of 1907 which reduced the rate for postal cars and for heavy weights, and also to the action of the department in introducing a new divisor in order to reduce the average weight carried per mile of line.

Mr. LLOYD. What is the rest of it?

Mr. BRADLEY. I could not suggest offhand.

Mr. LLOYD. Is it not true, because of the heavier weight carried by the railroad company and the less amount per pound received for carrying it?

Mr. BRADLEY. Yes. That would be the effect of the legislation I spoke of.

Mr. LLOYD. Without any legislation, would it not be true that the per cent would be less?

Mr. BRADLEY. Yes; by the natural descending scale of the original law, that is true.

Mr. LLOYD. And you could not tell how much that would be.

Mr. BRADLEY. That would be very difficult to estimate.

Mr. PETERS. Would it be possible for the Post Office Department to make an analysis of all the services performed in the carrying on of the business which results in a gross income of some $280,000,000 a year? The value of each part of the service? There is first the general organization for the conduct of the business, there is next the post offices and the postal clerks in the post offices, next the letter carriers who gather up the mail, and then there is the transportation by rural free deliveries and the transportation by the railroads.

Mr. LLOYD. That is already ascertained.

Mr. PETERS. I know, but that is the expenditure for each kind of service, but it does not say what one of those it is—which element is of the greatest value in producing the machinery that enables you to take in the $280,000,000.

The CHAIRMAN. Replying to your question, if the Post Office Department did that, would you accept their valuations?

Mr. PETERS. I want that as an element for you to consider. Is it possible for them to give you an estimate for that?

Mr. LLOYD. That is already ascertained.

Mr. PETERS. You pay $45,000,000 a year for the Rural Free Delivery, but the tonnage and the weight of the mail and the revenue derived from that mail that is handled by the Rural Free Delivery would not begin to compare with the revenue that you get from the mail that is transported by the railroads. I should say, offhand, that perhaps 90 per cent of your tonnage is carried somewhere on the railroads. Could General Stewart give us any figures on that? The thought just occured to me that it might be a help in reaching a conclusion in this matter.

Mr. STEWART. You would have this difficulty to start with, that while the great volume of the mails is carried on the railroads, the revenue produced from those mails would not necessarily be associated with railroad traffic; they originate elsewhere, on the star routes, on the rural routes, and in the cities; they are carried by the wagons, and all these other functions participate in their transportation, so that while you may say that 70 or 80 per cent of the mails are carried on the railroads, it would not be fair to say that the revenue derived from 80 per cent of the mails should be credited to the railroads.

Mr. PETERS. No; but what would be the relative proportion of the whole machinery that enabled you to get that income of $280,000,000 from the mails? Your letter carriers perform one part of the service, your postal clerks another part, your Rural Free Delivery another part, and the railroads still another. In England, under the parcel post, they consider the railroad is entitled to 55 per cent of the compensation for handling the parcel post. You could not think of giving the railroads that much here. You are really giving them only about 2 per cent.

The CHAIRMAN. Not in England. According to Mr. Bradley's statement submitted some weeks ago the percentage of the expenses of the Postal Department that the railroads received was, as I remember, 21½ per cent, including the parcel post.

Mr. PETERS. I think ours is about the same now.

The CHAIRMAN. I think ours is a little less—from one computation 19.5, and from another computation, taking into consideration expenditures made in 1912, but coming over from previous years, it would be about 20.7, as I remember.

Mr. STEWART. Referring to your inquiry and in connection with Mr. Bradley's theory, there is one element which has produced this difference in ratio which Mr. Bradley has not mentioned, and that is the large increase in revenue from postal rates, and it has not been mentioned yet that that increase in revenue may be greatly disproportionate to the service performed in carrying the mails; so that when Mr. Bradley says that at a certain period the railroads were receiving such a per cent of the revenue, and that now they are receiving a much lower per cent of the revenue, and he names two causes which have contributed to that (and I named the other cause—the great increase in the revenues themselves)—you see it does not follow from the premises that the railroads should have an increase in the percentage of the revenue; that does not necessarily follow.

Mr. PETERS. Do you not find in the parcel post there is more than 50 per cent of your parcels that do not touch the railroads at all? Is it working out that way now?

Mr. STEWART. I do not know what the figures are, and I do not suppose anybody has accurate data on that now.

The CHAIRMAN. That is impossible of ascertainment at the present time. General Stewart, while you are testifying I wish you would give the committee the benefit of your idea as to what factors should be given consideration in determining what compensation should be paid to the railroad companies, in order that we may have the different viewpoint while you gentlemen are all here together.

Mr. BRADLEY. I would like to say, while I have spoken of 40 per cent, I would not want to be tied down to 40 per cent. I mean at the beginning of the final inquiry that would lead to the ascertainment of the percentage and the basis that it would not be an unfair starting point to assume that 40 per cent to-day would be in fair relation to the 35 per cent of 1900. Then that tentative stand should be corrected by such suggestions as, for instance, that which General Stewart brings up.

Mr. LLOYD. Here is the unfortunate situation about that: At the outset it says we are only getting about half as much as we ought to receive, and that scares the general public away at once from the general proposition.

The CHAIRMAN. In that connection I would like to ask Mr. Bradley if he were a member of the commission what he would vote for?

Mr. LLOYD. You do not expect 40 per cent. That is why I think you should state what it ought to be; not 40 per cent as a basis to work on, but what, in your judgment, if you have judgment on that subject, would be a reasonable percentage to be set apart for railway mail pay.

The CHAIRMAN. That is exactly what I want, and I would like your judgment, as a specialist who has given great and careful study to this problem.

Mr. BRADLEY. I have never worked out carefully any line of thought that would lead to a definite percentage, but if I express an impression on the subject, it would be that after all the processes of elimination, correction, and readjustment had been gone through, that the railroads, perhaps, should justly receive not less than 25 per cent of the postal revenues.

The CHAIRMAN. Is there anything further, Mr. Bradley?

Mr. BRADLEY. No; except to put in this last remark, that in the postal expenditures there are some very heavy expenditures that are made for convenience and others for what might be called sociological purposes, the advancement of civilization, the comfort of the people. The appropriations for convenience would be for the City Delivery Service and the Rural Delivery Service, although these would also, I think, partake of the sociological character. When Congress, with the full approval of the American people, makes use of the postal service as a civilizing agency, it is important while performing that very useful act not to lose sight of a fair reward for the more purely commercial service and the absolutely essential service rendered by the railroads in the maintenance of the postal functions.

The CHAIRMAN. General Stewart, will you now give the committee the benefit of your ideas as to what factors should be taken into consideration in determining what rates of compensation should be paid the railroad companies for carrying the mail?

Mr. STEWART. I should have liked, Mr. Chairman and gentlemen of the commission, to have had a little opportunity to have given this matter close thought with reference to answering so important a question, but I will do the best I can at this time. In the first place, it seems to me that any theory which predicates a payment upon revenue derived from the business must necessarily be fallacious. The revenue we derive is based entirely on the rate of postage on the several classes of mail matter and upon the amount of business done. The amount of business done will have somewhat of a relationship to the service performed and rendered by the railroad companies or the department, but the rates of revenue on the matter carried have no necessary relation at all to the service performed. The rates on first-class matter have been shown to be very high as compared with the cost to the department of performing the service of carrying and handling first-class mail. The rates on second-class matter have been shown to be very low. While we are making, according to the statement of 1911, say, $42,000,000 a year over expenses in carrying first-class mail, that is no argument that we should hand over 25 per cent of that to the railroad companies if they are getting fair compensation for the service they render. I should say, too, that if we are getting only one-sixth or one-seventh of the amount in revenue of the expenses in carrying and handling the second-class matter that it would not be fair to the railroad companies to cut their pay down on carrying second-class matter six-sevenths, so those two examples illustrate clearly, it seems to me, that there is no necessary relationship between the two things.

As to what should be taken into consideration, it seems to me first, and a fundamental proposition, that the railroad companies should not receive more than it costs them to perform the service and a fair return, and conversely it would be conceded that they should receive that subject to certain qualifications and limitations as the special

nature of the service should suggest, and, first of all, in that connection I should say that the commission should consider, after determining something along that line, as to what the relation is between what they receive and the fair value of what they give; then consider what it is worth to the railroad companies to carry the United States mails and what they owe the Government of the United States, what they owe the people, what they owe the country at large for the privilege of maintaining their corporate existence and receiving public grants of lands, rights of way, and performing practically a monopoly of the transportation service of the country. Those things, I think, are very potent in the consideration of the subject, and I think very earnest consideration should be given to what the value of those intangible elements are and that what you might call the fair commercial or business gauge of the service should be reduced by such an amount as would fairly represent those very material elements that are concerned in the matter.

The CHAIRMAN. Are all those factors to be equally taken into consideration in the compensation for freight and passenger service, or do you make a distinction?

Mr. STEWART. I make a distinction between the mail and all other classes of service.

The CHAIRMAN. You think the mail is sui generis?

Mr. STEWART. I do. I think it is entirely distinct to this extent: I assume that in the adjustment of passenger and freight rates that the Interstate Commerce Commission would never allow the rates to be below what they are commercially worth.

The CHAIRMAN. Is your distinction purely because the Government deals with the railroads on mail service and the citizen deals with them on passenger and freight service?

Mr. STEWART. Yes.

Mr. BRADLEY. I would like to ask Mr. Stewart if, in considering the mail sui generis, he makes a distinction between the mail that would be represented by letters coming from the President, we will say, to the Secretary of War, who happens to be in Chicago—that is, governmental mail, as distinguished from the mail coming from John Jones, in New York, to William Smith, in San Francisco?

Mr. STEWART. No; I do not for this reason: That while there is an apparent difference there is, in fact, no substantial difference, because the railroad is performing a governmental function in carrying the mails; it is the agency of the Government and it really occupies the position of the Government in performing the service.

Mr. MACK. Does not the position you take, General Stewart, carry with it a burden to the freight and passenger service, of making up any deficiencies on that theory that would result from the transportation of the mail?

Mr. STEWART. Necessarily the railroad companies would have to be paying concerns.

Mr. MACK. I do not know that that fully answers the question unless it modifies the general's position, if they must be paying concerns for the mail, the express, the freight, and the passenger—the four general classes of transportation business—should each be on a profitable basis? The theory that the mail, because it is carried for the Post Office Department, should be carried for less would necessarily throw a burden upon the other transportation services.

Mr. STEWART. The railroad companies would necessarily have to receive a revenue from some source to make up the difference. Your question, if I answered in the negative, would necessarily imply that they must make it up from a specific source. Of course your reply to that might be that that is the only source of revenue they would have in transacting their business.

Mr. BRADLEY. General Stewart, if the railroads perform a governmental function in carrying the mails, what function do they perform in carrying passengers and freight?

Mr. STEWART. They perform the function of a common carrier under the laws governing the rights and obligations of common carriers.

Mr. BRADLEY. In performing that governmental function, I take it that the Post Office Department is an agency of the people for their convenience, and that the relation of the railroads to the people would be practically the same if they were carrying mail, passengers, or freight.

Mr. STEWART. No; I do not think it is the same. The railroad company comes into existence by reason of the grant of the State, which allows it a corporate existence, and it comes into existence for a specific purpose. We must assume that their purpose is commercial—it is business—and the State assumes that when it grants it the charter and it gives it its right of way there is no expectation on the part of anybody that the railroad company is going to do business for the public generally as a common carrier at less than it costs them to transact the business, but when it becomes an agency of the Government and undertakes to perform a governmental function at the direction of the Government, I think there is an entirely distinct and separate relationship arising there.

The CHAIRMAN. But you think that it should receive a fair compensation for the service rendered?

Mr. STEWART. Most assuredly.

The CHAIRMAN. And not be compelled, if the Government had that power, to perform the service at a loss to itself?

Mr. STEWART. No, sir; I think not.

Mr. PETERS. General Stewart, do you think that applies equally when you go beyond the original scope of the mail service, of transmitting your confidential communications, and you go into freight service and take up parcels-post business in direct competition with the service performed by the railroads?

Mr. STEWART. Well, the Constitution has given to Congress the power to establish post offices and post roads, and the people were the authors of the Constitution; and it is competent for Congress to proceed under that delegated power to monopolize the transmission of first-class matter as they have, and to extend that monopoly if they choose, either directly or indirectly. Up to the present time the Government has not monopolized the transportation of packages—parcels post, we will call it—directly and fully, but it has provided for the transportation of parcels, and therefore it seems to me that the parcels, so far as the practical question is concerned, are in the same situation as the letters.

The CHAIRMAN. What do you think of Mr. Bradley's suggestion in reference to the solution of the problem on a percentage basis of

the postal expenditures to the postal receipts? Does it appeal to you, or would you criticize such a position, and, if the latter, what would be your criticism?

Mr. STEWART. I do not think it is sound, mainly for the reasons I stated when I began. There is no necessary relation between revenues derived and service performed, and furthermore there is no necessary relation between revenues derived and service performed by the railroad company or by the rural service or by the letter carriers. They are not comparable. It seems to me it is an effort to compare and reach a conclusion between two or more incomparable elements.

The CHAIRMAN. Your annual revenues from the first-class mail being about what, $90,000,000?

Mr. STEWART. About $130,000,000 according to the statement of 1911. The amount we receive above the cost of transporting and handling, according to that statement, is about forty-two million dollars.

The CHAIRMAN. Then, if the postage was reduced on first-class mail from 2 cents to 1 cent, that would reduce the revenue of the Government, would it not?

Mr. STEWART. It would.

The CHAIRMAN. And if the railroads were on a percentage basis, they would clearly have an injustice worked against them unless the rate of the percentage was increased?

Mr. STEWART. Yes, sir. They would perform the same service and suffer a great reduction in the compensation received.

Mr. BRADLEY. In regard to General Stewart's suggestion that the revenues have no particular application to the service and the chairman's inquiry as to the revenue derived from first-class mail matter, to perfect the thought, I would like to ask General Stewart what would be the probable revenue from first-class mail matter if there were no railroad service.

Mr. STEWART. Of course, it would be greatly reduced. We are all glad to admit, and it is not an admission, for we are glad to say that the railroad companies perform a wonderful service for the Government and for the people; and if it were not for the railroads, mail service would be a very insignificant thing. There is that conclusion, that without the facilities to transport the mail as we now have them, the revenues would be greatly decreased, for the mails themselves would be greatly decreased. You know, however, the railroads now carry the great bulk of the mail which originates in many other parts of the service. You could not credit the revenue from the mails carried on the railroads to the railroad service; it would be very difficult to apportion that, because the same mails are carried in other parts of the service; they originate in the country as well as in the city.

Mr. PETERS. Would you not consider it a pretty fair division of the machinery necessary to produce your big revenues, which is, in the end, very much like the express, that your local post offices or depots and your local deliveries and pick-up takes about 50 per cent of your expenditures, and the transportation on the railroads is the other 50 per cent? I think the Interstate Commerce Commission in some recent investigations on the express business—and I know from analysis we had made about New York—showed that about 50

per cent of the revenue derived from the package business covered the local delivery and the pick-up and depot expenses, while the other 50 per cent went for transportation. It looked to me, in the making up of the machinery of the Post Office Department, that in producing this big revenue the railroad is about 50 per cent of the efficiency of the machinery, and yet it gets only about 21 per cent of the expenditures. In the matter of post offices you have a monopoly; nobody else can carry the first-class mail; but in the parcels-post and second-class mail there is competition with the express companies, freight service, wagon service, and different kinds of services. You have no monopoly in that, but you are in direct competition.

Mr. STEWART. I would not be able to say what the relative value of the railroad service is compared with other functions. I do not know that that has even been figured out carefully by anyone.

Mr. PETERS. I think it ought to be considered. I think there have been decisions by the Supreme Court which hold that a railroad is not absolutely a public servant that can be used by the public at cost, or at less than cost, or that they may not do these things at a loss; and I have sent down to the Railroad Bureau of Economies to get a copy of the decision of the Supreme Court, and I would like to let you look it over, Mr. Chairman. I feel that we ought to be considered here in the light that we are in partnership with the Government in performing this service, but all we ask is that we be properly paid for it. Whenever the compensation comes up in Congress there is an effort to cut down our pay, and there have been reductions after reductions all along.

The CHAIRMAN. Mr. Peters, would you like to have the question settled on the percentage basis of either postal revenues or postal expenditures and have that the measure?

Mr. PETERS. No; I am seeking light on the matter.

The CHAIRMAN. Would either one of those systems be satisfactory and, in your opinion, be fair?

Mr. PETERS. If we are in partnership with the Government in performing this service and doing 50 per cent, we ought perhaps to have 50 per cent of the revenue.

The CHAIRMAN. Would a percentage basis, in your judgment, be a satisfactory and permanent settlement?

Mr. PETERS. No; I do not think it would be. But the matter came up in discussion a while ago that seven or eight years ago we were getting 35 per cent of the total expenditures by the Government in connection with the Post Office Department, and now we have been cut down to about 20 per cent.

The CHAIRMAN. And the causes of that were answered by Mr. Bradley in answer to questions by Mr. Lloyd.

Mr. PETERS. The Cortelyou order was one of the largest elements in cutting down the pay and the further reduction by Congress, and, furthermore, your percentage varies according to the large sum you are apportioning the different items to.

The CHAIRMAN. What have those facts to do with the determination as to what a fair compensation may be to the transportation companies for the handling of the United States mail and the developing of an universal practical plan for making the apportionment of the compensation among the different railroads?

Mr. PETERS. I think you are taking an arbitrary basis of so much per mile of haul, varying according to the weight of the mail hauled per day, which is about as fair a basis as you can reach. It takes in the weight. Of course you want to take, in connection with that, the compensation for the special facilities furnished, for instance, the post-office car. It goes back to the same thing we have had up all along.

Mr. LLOYD. Suppose that you cease to carry the mail. Would the railroads of the country be benefited or injured?

Mr. PETERS. We would be injured. The whole country would be injured. That, however, is not a supposable case.

Mr. LLOYD. I am talking about it from a purely commercial standpoint and not the question of the public good at all.

Mr. PETERS. Nobody else but the Government can perform the post-office service.

Mr. LLOYD. I am talking about the question of carrying the mail: would the railroads be benefited or injured if the mail facilities were taken from you?

Mr. PETERS. We would be injured; because that would interfere with the general conduct of business, and that would affect us; it would affect the prosperity of all the people and consequently affect us.

Mr. LLOYD. Well, purely from a commercial standpoint, what would you say?

Mr. BRADLEY. Do you mean by the Post Office Department going out of business?

Mr. LLOYD. Oh, no. I am getting at this proposition: If you did not carry the mails, would the railroad companies make more money or less money, net?

Mr. BRADLEY. Would that involve a discontinuance of the governmental monopoly?

Mr. LLOYD. No. I am not talking about that side of it at all. Suppose we found some other way of carrying the mail. You say you are carrying the mail at a loss. I am asking the straight question, Suppose you did not carry the mail at all, would the railroad companies at the end of the year have a greater net profit or a less net profit?

Mr. PETERS. That is a very hard question to answer. I do not know as I never figured on that. I believe in the case of the Long Island Railroad we would have more net money if we did not carry the mail. We get now only $44,000 for carrying the mail, and I know it costs us close to $100,000. But that, however, is not a supposable case, that we can discontinue to carry the mail. That would so affect the communities that we serve, on whose prosperity we depend for our revenue, that we can not consider the question.

Mr. MACK. I have answered Mr. Lloyd's question, that the actual expense of the service is less than the revenue derived, but that presupposes that there should be no division of expenses at all for the entire operation of the service, the maintenance of the railroad, the maintenance of the passenger service, and it brings us to the point that Mr. Baldwin just mentioned, that the same thing applies to the two passengers who come along after a train is made up and say that it does not cost anything to carry them because the train is going. That is the situation generally. The cost of the service must in-

clude a proportion of all costs of the operation of the railroad and a portion of the capital.

Mr. LLOYD. Does it not come back to this, that you can not determine the rates before ascertaining the cost? I think Mr. Peters is entirely wrong in the statement he made at the outset this morning that cost is not a determinant factor. I think you must take that into consideration, and if you can not determine the cost you can not determine what you should receive.

Mr. MACK. I have adhered to the opinion that the question of whether the railroads are underpaid or overpaid is better determined from the relative revenues derived from the passenger service, because it is a definite, certain thing, rather than to attempt to ascertain on a basis of cost, for reasons which I think have been very fully set forth during the hearings of the commission; that is, in the first place, cost would produce 795 different rates. The "cost" means a division of accounts which would differ on various railroads and which there is no authority to settle, consequently, when you come to the question of relative earnings, and assuming that the mail service requires the very highest quality of passenger service there is, and the joint commission appointed by the railroads and the Post Office Department says that the earnings are relatively 97 points less for mail than for other passenger service, that we demonstrate the question of underpay very thoroughly and very simply and in a way that ought to be understood by citizens of the country. After that we come to the question of adjustment of rates, but the entire service should bear its proportion of cost. It does so if you take relative revenue, but the relative revenue is based upon passenger service, which the courts have decided is not excessive in the rate cases, and I think Dr. Lorenz can agree in that view, that if we were paid on the basis of the passenger service, the passenger service being the foundation, that it would not be a high basis.

Mr. LLOYD. Just one other point. If you determine the cost on the 795 different systems of railroad and added that cost together so that we knew what the cost was for all of the railroads carrying the mails, would not that be a proper basis to take into account?

Mr. MACK. I do not know what that would indicate. You have to make your division between the passenger and the freight, and there is no authority upon which you can settle that question for any road, as I understand it, or for all roads, and I think Dr. Lorenz will affirm that.

Mr. LLOYD. Do you think mails should be treated just the same as passengers and freight?

Mr. MACK. I think mail should pay its proportion of revenue as the very highest quality of service is required. I think that is absolutely sound doctrine. I can not agree in the idea that the railroads should perform mail service for less. We are not here considering a question of a new incorporation or franchise conditions. The whole fabric of rates is based on the theory that the mail will pay its proportion. Freight rates are not made higher or the passenger rates higher because the mails should be carried for nothing or for less than cost, or for less than relative earnings, and it seems to me it is not just to attempt to get mail service at less than relative revenue

and then throw the burden upon the individual passenger or upon the shippers of freight to make up that deficiency.

Mr. LLOYD. We have been trying to get at this question for about two months, and we have not yet ascertained what the cost is, and you say no two roads are alike?

Mr. BALDWIN. Is there any way to determine how much it costs the railroads to carry oats?

Mr. LLOYD. I suppose so. I do not suppose the railroad companies carry oats at a loss. That is a very reasonable supposition, that the railroads carry oats at a price that will pay them, and the same applies with regard to corn and carrying passengers at a cost that would pay them.

Mr. BALDWIN. How would that actual cost of carrying oats be determined?

Mr. LLOYD. I am not in the railroad business, but I am trying to get at the question of what we ought to pay for carrying the mail, and it seems to me the element of cost is something that ought to be taken into consideration. I can not see how you are going to get away from the element of cost. If the element of cost is not to be considered, then it is purely an arbitrary matter for us, and if we fix the rates so that you receive half of what we receive you could not complain, because you have given us no basis to ascertain, and you have said cost does not figure in the question at all.

Mr. MACK. I think you show the mail earns 97 points less; that the railroads are relatively underpaid fifteen or sixteen million dollars. An arbitrary rate that would pay less would be manifestly unfair.

Mr. LLOYD. Just as you are testifying at this point, please state what you think ought to be the determinant factor on the part of the Government as to the compensation you should receive for carrying the mail.

Mr. MACK. The service is the transportation of the mail and the hauling of postal cars. As I said in my original testimony on the weight and space proposition, it is a service of two kinds; consequently we have, and I think it should continue, the two bases of pay—weight and space.

The CHAIRMAN. In considering those two services, what do you consider in conjunction with them? The cost of the service, do you not?

Mr. MACK. The cost of the service?

The CHAIRMAN. Yes.

Mr. MACK. In fixing the rate?

The CHAIRMAN. Yes. What factors do you take under consideration?

Mr. MACK. The weight of the mail transported and the post-office cars hauled. Those are the two factors in the performance of the service. We have that basis to-day, and a single standard of weight or a single standard of space, in my judgment, would not be the proper basis for pay.

The CHAIRMAN. Taking weight, what factors do you take into consideration, if weight was the basis or the measure of the service rendered, to get the compensation you should receive for that weight?

Mr. MACK. I think that would be determined by the relative earnings of the service from passenger trains.

Mr. LLOYD. Suppose the present system of pay were continued, which you people say ought to be continued. What should be the determinant factors on the part of this commission as to whether the rates at the present time are proper or not?

Mr. MACK. We think the present rates are not productive of sufficient revenue, for the reason that the revenue produced is not equivalent to the earnings of the other passenger train service. That could be adjusted by an increase in the rates for weight or it could be adjusted by an increase in pay for space.

The CHAIRMAN. Then you think the settlement probably would be to allow you compensation equivalent to what you receive in the passenger service. Is that it?

Mr. MACK. Yes, sir.

The CHAIRMAN. That settles it, according to your mind. If you get 25½ cents per car-mile for passenger service and the same for mail service, that would settle the question. Is that your judgment?

Mr. MACK. I hardly would say that. That leads us to the exclusive space basis, which I do not consider is the proper one.

The CHAIRMAN. Then, how are you going to get the adjustment by using space in the passenger service and weight in the mail service?

Mr. MACK. The relative space determines whether the relative earnings are compensatory. It is a common basis of determining whether the pay is adequate or inadequate.

Mr. LLOYD. Now, let me see if I understand you. Here is a passenger train with a mail car, baggage car, and two passenger coaches. You think the mail ought to pay one-fourth of the expense of that train?

Mr. MACK. I think it ought to produce the same relative revenue as the other space on the train.

Mr. LLOYD. Then, if the passenger coach has no passengers in it, it ought not to pay anything?

Mr. MACK. The coach would not operate without anything in it.

Mr. LLOYD. It might at one time.

Mr. MACK. Well, of course, that would adjust itself on averages. The average would determine that.

Mr. LLOYD. I was getting at your idea as to what the pay should be. If you had cars of the same length and you had a mail coach, a baggage car, and two passenger cars, then you would say that one-fourth of the expense should be borne by the mail?

Mr. MACK. Why, undoubtedly.

Mr. LLOYD. In other words, that mail should pay one-fourth of the transportation charges of that train, including all the passengers and baggage?

Mr. MACK. I do not see why not.

Mr. STEWART. I get your idea that ultimately you think the question should be determined upon the basis of comparison of space, but I am not certain as to how you are going to apply that to existing rates which we are discussing. You say that the mail should bear its same ratio of expense as the passenger car does. That would necessitate the use of space, would it not, for your comparison.

Mr. MACK. The railway mail pay committee has stated that so far as relative earnings are concerned, that space is the basis of comparison to determine that question. That has been stated, I think, by all the committee on railway mail pay.

Mr. STEWART. How would you apply it to the situation at hand? Here we have rates fixed by statute which may be too high or too low. You are going to determine that question by a comparison of the space, but after you have reached your comparison and your conclusion on your comparison, how will you readjust the rates? They are still on the basis of weight.

Mr. MACK. The consideration which the railroads give to that question has led them to believe that to increase the pay to an adequate basis, the present plan should be extended to pay for the apartment cars which are not paid for on a space basis, that is one proposition, and on the weight proposition to adjust it by an annual weighing instead of a quadrennial weighing, both consistent with the present basis of pay, one to readjust the weight and the other to readjust the space.

Mr. BALDWIN. You could do it by an increase in the rate.

Mr. MACK. You could do it arbitrarily by an increase in the rates.

Mr. STEWART. I can not see how you are going to apply your knowledge in that manner. You admit that space is a proper basis of reaching a conclusion, but the application of your conclusion to existing rates seems to me to be somewhat faulty because it does not necessarily correct any difficulty that exists in the rates. You say that after ascertaining by the basis of space that you are underpaid, you are going to ask for an annual weighing. The two are not associated together, excepting in this far, that the annual weighing will give you more money.

Mr. MACK. But an annual weighing corrects the situation in regard to the weight plan to which the rates apply. An annual weighing provides that we shall be paid more for the transportation service rendered by remedying an inconsistency in the present plan. The space, as I have just pointed out, is simply extended to give us pay which we feel we are not receiving for the apartment cars; the apartment cars are upon one basis only at the present time, and that is the weight basis, and we believe it should be extended to include the space basis also.

Mr. LLOYD. Mr. Mack, I do not know that I fully understood you. If I did, I want to go a little further. You complain that the mail car does not pay its proportion now of the passenger-train expense. As I understood you, before the Government can determine what you should receive, it would be necessary to know how many passengers you carried and how much you received from the passenger traffic, would it not?

Mr. MACK. We have shown that, Mr. Lloyd, in the joint report—the earnings for the passenger service.

Mr. LLOYD. Then, you would take the earnings of the past year as the basis for a future payment, would you?

Mr. MACK. Well, I do not know that anything else would be practicable if you are to adjust a rate; you can not apply it to the future.

Mr. LLOYD. Of course when you come back to the passenger train you have abandoned weight altogether, because in that argument

you insist that this car, or the mail which is carried occupying space, does not pay its proportionate part of the passenger expense. Now, you insist that it should pay its part of the passenger expense. You say it has not done so, because it has not paid for the full space which it occupied compared to the space occupied by the passengers. That is one theory. The other theory is that you have to determine the number of passengers that are carried in order to determine the proportionate part that the mail must pay for the expense of the passenger-train service. You have two ideas, but neither one of them is based on weight; it is totally a space proposition; and you yourself, as I understand you, are using this space proposition to explain to us that you are not receiving sufficient compensation for the part the mail performs in connection with the passenger trains.

Mr. MACK. We cite a common basis of comparison in order to determine the question of underpay or overpay.

Mr. BALDWIN. The department fixed that and we are simply following the department.

Mr. LLOYD. You were not here the other day when Mr. Mack testified. Mr. Mack testified at length on this question, and I think his testimony is as plain as anything we have had.

Mr. MACK. In fact, it is difficult, and always has been, to find what might be considered a common basis of comparison to determine the question of underpay or overpay. The transportation of mail is practically a freight business; it is the handling of things. You can not make a comparison with freight as the service is on passenger trains. That limits us to the passenger train. There is no other like service even on a passenger train; the express is not like it, the passenger is not like it, but the department thought and we furnished figures on the space basis, because it was a common basis of comparison, not necessarily a substantial or proper basis of pay, because there are other elements which would enter into the question if we undertook to use it as a basis of pay. The question of whether it is a practical basis would have numerous illustrations to show that perhaps it is not. Our experience with the full postal-car service, with only 10 per cent of pay, illustrates to us that space would not be a satisfactory basis of pay where all of our mail earnings are involved. For instance, if I may refer to this feature of the case, suppose on an exclusive space basis the question comes up whether the Government should pay for a 30-foot or a 60-foot car. What would be the controlling factor in that case? Should the Post Office Department and an officer of the service, perhaps a subordinate officer, have the right simply to say, without any controlling or determining factors, that a 60-foot car should be required instead of a 30-foot car?

We will take a line 490 miles long, and I made this calculation on my line from St. Louis to Texarkana: The probable increase from a 30-foot to a 60-foot car would be $36,000. While theoretically it looks like a car is a given quantity, and you can tell that if the car is furnished it ought to be paid for at such and such a rate, that is not the question at all, but it is a question of whether that car is needed, and that goes back to the question of opinion. The Post Office Department would have the authority, by a mere statement, to increase the pay on that railroad $36,000 or $37,000 a year, and it has no con-

trolling factor, and there is not a thing in the world to prevent an officer of the postal service from increasing it, except just because he wants to. There is nothing to prevent that, in my judgment, and I am very sure that is the opinion of every traffic mail officer who has had any experience in the service.

Mr. LLOYD. You do not complain on that account, and your complaint is they do not allow you to furnish enough cars.

Mr. MACK. We think it is an unsound proposition because the service does not itself determine what we should furnish; weight is a given, definite thing that adjusts itself.

Mr. LLOYD. Suppose we changed it so that we had a uniform car, just one mail car, authorizing a 30-foot car and there was no 40-foot, 50-foot, or 60-foot car, but you have an R. P. O. car like you have a passenger coach. Would not that take away from the department the complaint that you people make about the 30-foot cars, the 40-foot cars, and the space that is required from time to time?

Mr. BALDWIN. You mean the same on the branch lines.

Mr. LLOYD. On all lines.

Mr. MACK. You will consider there are in the neighborhood of 1,400 full cars and in the neighborhood of 3,500 apartment cars, and it is questionable whether you want to consider——

Mr. LLOYD. I am talking about R. P. O. cars, for the moment. You complain that they are troubled with the department on account of demanding a 30-foot space when you use a 60-foot car. Could not that be remedied by having a uniform car? An R. P. O. car is an R. P. O. car, no difference what its length, and the pay on an R. P. O. car would be so much, no matter what its length was, but the pay would be the same as if you used the car. That would avoid the question, would it not?

Mr. MACK. It is just as I have said. One-fourth of the cars are full cars, and that idea would, in my mind, not be practicable, because such cars would manifestly not be needed. I think that would be impracticable.

Mr. LLOYD. That would remedy the complaints that have been made concerning the 30-foot, 40-foot, and 60-foot cars? That part would be remedied, would it not? Why can't you have a car unit on the apartment car, and whenever an apartment car is used one-half of the space of that car shall be considered as used for railway purposes. Would not that settle that proposition from the departmental standpoint?

Mr. MACK. There are various practical conditions about the service to be considered. For instance, we operate a 30-foot apartment car from Pueblo on the Denver & Rio Grande down to a place called Creede. We start with a 30-foot apartment car, and in the baggage apartment of that car we have an average of 6 feet of space used for mail. When we get to Alamosa, Colo., the superintendent of mail service says that from Alamosa to Creede they need but 15 feet, and we have to furnish 30 feet starting out of Pueblo in the mail car and 6 feet in the baggage car, and when we get to Alamosa he only wants 15 feet, but yet we have to haul all of that 30-foot car.

Mr. LLOYD. I was suggesting as a remedy that whenever you have to furnish a car let it be so much space.

Mr. MACK. But how would you apply it to a condition of that kind?

Mr. LLOYD. I would make it a 30-foot car all the way.

Mr. MACK. What would you do with the 6 feet of space, average, occupied in the baggage apartment? I am not endeavoring to cross-question you, but those are practical conditions that have developed.

Mr. LLOYD. If there was an understanding that the apartment car was to be 30 feet, then it would not make any difference how much baggage space you have, you would be paid for the 30 feet.

Mr. MACK. How would we be paid for the space in the baggage apartment if the space in the car would not accommodate the mail?

Mr. LLOYD. The statement of the case as you made it was, as I understood it, that they first used 30 feet.

Mr. MACK. Thirty feet plus 6 feet of space, according to the measurements of 1909.

Mr. LLOYD. I misunderstood your case. As I understood, your case was that you started out with a 30-foot apartment car and 6 feet in the baggage car and you went to a certain point where they required but 15 feet in the car.

Mr. MACK. That was one 30-foot car to start out with, but we had 6 feet of space in the baggage car in addition to the space we did use for the mail if it could not go in the 30-foot apartment. On Monday there was not any mail in the baggage car, and on Sunday there was 30 feet in the baggage car.

Mr. LLOYD. You readily understand the suggestion I make overcomes all that, because where you use an R. P. O. car you get pay for the R. P. O. car, and wherever you use an apartment car you would get paid for an apartment car; if you needed the two R. P. O. cars, you would get paid for two R. P. O. cars. In other words, if some such system as that were worked out, would it not overcome the complaint you make about departmental regulation?

Mr. MACK. I do not believe that you can devise any rule or any law that would define space in its application to the service that would eliminate the discussion and operate as the weight does, a self-determining factor of the service rendered.

Mr. LLOYD. You are complaining right now that the existing law does not give you compensation for the apartment car at all and you insist that you ought to have pay for the apartment car. Now, that is universal, and all of you have insisted upon that, yet in the statement you now make you say that it is impracticable because it is a departmental regulation, and the department must determine the size of the car and the space that must be used.

Mr. MACK. I do not think that is a correct statement of our position. Our position is that the entire mail pay should not be determined upon opinions, but that for the post-office work, with 10 per cent of pay, that is perhaps the only measure of service.

Mr. PETERS. Mr. Chairman, as I understand it, the Post Office Department wants to make the Post Office self-supporting. If they were self-supporting they would want the railroads to be fairly compensated and receive a fair amount for the service they perform, which is so essential and necessary to their success. The whole effort, apparently, in the past has been to make the department self-supporting by cutting down the railway mail pay. Now, we have gotten to a point where you have lowered our pay and you have got us down to hardpan, you may say.

The CHAIRMAN. Do you think, Mr. Peters, that that is hardly a fair statement toward the Post Office Department? Have they been in-

strumental in the reductions that Congress has made? The only change in an administrative action is in a change of the divisor.

Mr. PETERS. I think the changes in legislation have generally been based on recommendations of the Post Office Department, so whether they did it intentionally or indirectly, it had that effect.

The CHAIRMAN. The appropriation bill, so far as the department is concerned, is an estimate submitted as opinions of the department based on prior experience to cover appropriations that will be necessary to take care of the compliance of the laws that Congress enacts. That is correct, is it not, General Stewart?

Mr. STEWART. Yes.

The CHAIRMAN. At this point we will take a recess until 2.30 o'clock p. m.

Thereupon, at 1.15 o'clock p. m., a recess was taken until 2.30 o'clock p. m.

AFTER RECESS.

The committee met, after recess, at 2.30 o'clock p. m.

The CHAIRMAN. General Stewart, have you had an opportunity to go over the suggestions of Mr. Lorenz filed with the committee?

Mr. STEWART. No, Mr. Chairman; I have not had more than an opportunity to read them over and I have not had the chance to give them any study, but hope to do so at an early date.

The CHAIRMAN. We appreciate the calls that you have had on your time, the change of administration, and so forth. Mr. Peters was anxious, as I understand, to learn from General Stewart, as representing the department, how the suggestions made by Mr. Lorenz impressed the departmental representatives. Was that the point, Mr. Peters?

Mr. PETERS. That was the idea, and how General Stewart felt it would work out—that is, Dr. Lorenz's and Mr. Lloyd's proposition on the question of the four units, the full-car, half-car, quarter-car, and the closed-pouch service, instead of coming down to the actual car-foot miles, take larger units so as to avoid disputes over small things.

Mr. STEWART. We have given Mr. Lloyd's suggestion some thought as to the probable cost and have made some calculations, taking into consideration 60-foot full cars, storage cars, 30-foot cars, 15-foot cars, and the closed-pouch service. We have some tentative figures at this time, but I hardly feel like putting them in the record. I would like to go over them more carefully and then we will be glad to submit them.[1]

Mr. LLOYD. We will take that later.

Mr. PETERS. Could they not be discussed tentatively, informally, without putting them in the record?

Mr. STEWART. I have no objection to doing that, if the committee desires it to be done.

Thereupon an informal discussion was held by Mr. Stewart, the members of the committee, and those attending the hearing.

[1] See p. 679 for letter of Hon. Joseph Stewart, Second Assistant Postmaster General, dated May 23, 1913, to Chairman Bourne, explanatory, from an administrative standpoint, of Representative Lloyd's suggested plan.

The CHAIRMAN. What about the operation, so far as the department is concerned?

Mr. STEWART. As I recall the plan detailed in Document No. 105, with reference to the authorization of space, it is this: That all authorizations which would carry compensation would be made by the department following the statistical period, at which time the statistics and data would be obtained, which would enable the department to arrive at the cost basis.

The CHAIRMAN. Would your authorization for space depend in any manner on the cost basis?

Mr. STEWART. No. I was saying that the authorizations for the year which would carry compensation, as I recall it—I have not looked at Document No. 105 for some time—would be based on the space actually used at the time of the statistical period, and it would have a relation to the cost element in that far, that it is the space upon which we ascertain the cost of performing the service.

The CHAIRMAN. The point I wanted particularly was how you determined the amount of space you wanted and what your modus operandi would be for your authorization for that space, so that the railroads would know what they had to comply with; and what your process would be to take care of excess business over your calculation in determining your original calculations for space?

Mr. STEWART. We now have a service entirely established, so that we would not be entering a business de novo, or new. If we were approaching a statistical period all the space that would be authorized and used for mail purposes would have been authorized previously by the department in the same manner that it is now authorized, which is upon careful inspection of the service by the officers of the Railway Mail Service to begin with, and the determination of the department's officers as to whether the space reported and used is necessary for the performance of distribution. We would go into a statistical period with space already authorized, and additional space as it became needed would be authorized by the department in the same manner—that is, upon careful inspection and reports from the field as to what the actual operations of the railroads were.

The CHAIRMAN. Suppose your initial authorizations are insufficient. How would you take care of the excess business? Would the railroads dump that on the platform?

Mr. STEWART. No. The plan of the department was to make an authorization, based upon the needs at the statistical period, which should be good for a year, and that all additional requirements would be made known by the department and furnished by the railroad companies, but that no change would be made in the compensation until the next statistical period—that is, if we needed more space we would ask the railroad company for it.

The CHAIRMAN. And you would compensate them at the end of the year when you came to your annual adjustment?

Mr. STEWART. Yes; just as we do on the additional weight. They carry the additional weight, but they do not get the additional compensation until we have the weighing.

The CHAIRMAN. Who will be empowered to require the railroad company to furnish the additional space required?

Mr. STEWART. Ultimately, the Second Assistant Postmaster General.

The CHAIRMAN. Suppose, because of an abnormal condition, you had double the amount of mail you had estimated on upon which your authorization had been made for any one day; who is going to add to the surplus mail, and how many days would it take for the administrative machinery to get that mail handled?

Mr. STEWART. Such an abnormal increase, taking effect within a day or a very short period, would have to be arranged for very quickly by reports from field officers and immediate authorization of the Second Assistant Postmaster General.

The CHAIRMAN. That would come in by wire?

Mr. STEWART. Yes.

The CHAIRMAN. Through whose hands does that pass? Where does it initiate and where does it end?

Mr. STEWART. It would originate in the field of the Superintendent of the Division of Railway Mail Service who had charge of that immediate line, and it would come from him to the general superintendent of the Railway Mail Service, and from him to the Second Assistant Postmaster General, Division of Railway Adjustments, who would prepare the authorization which would be passed on by the Second Assistant Postmaster General. In the ordinary course of business those requirements would become known by a series of reports in that manner.

The CHAIRMAN. Taking how many hours between notification and action?

Mr. STEWART. Not necessarily a great number of hours. In cases of emergency it could be authorized by telegraph, but in the ordinary course of business it might be several days and might be several weeks.

The CHAIRMAN. Would not that be a serious interference with the efficiency if it took several weeks?

Mr. STEWART. Yes; if the railroad companies waited for that authorization which was long delayed.

The CHAIRMAN. Would they not be compelled to wait for an authorization under a plan such as you have suggested?

Mr. STEWART. They might furnish the facility if they knew it existed.

The CHAIRMAN. I do not see where that is sound.

Mr. STEWART. This question is one which relates itself very intimately to the relations between the department and the railroad companies, and one who does not understand the mobility of the service and the manner in which the railroads respond so quickly to the needs of the service would not sufficiently understand how we could meet such an emergency under this new plan. As a matter of fact, railroad companies under present conditions respond very quickly to the needs of the service wherever they exist.

The CHAIRMAN. But upon request?

Mr. STEWART. Yes.

The CHAIRMAN. They are not going to do so on their own initiation. There has to be an initiative on the part of the departmental representative in order for action to take place?

Mr. STEWART. Yes.

The CHAIRMAN. Then you have made a hypothetical case where there might be a delay of several weeks possible to take care of the

excess or abnormal mail. It seems to me, unless that can be remedied, that that is an absolutely serious defect in the plan.

Mr. STEWART. The delay which I have mentioned, of several weeks, could hardly be expected to occur under this new plan where immediate action would not only be advisable but almost necessary. When I speak of "several weeks" I have in mind the ordinary course of business under present conditions. We attempt to authorize new space or additional space wherever it is needed as speedily as we become satisfied that it is needed, but in a determination of that it sometimes takes several weeks to become satisfied that it is fully needed, but if we were operating under the conditions where no space would be allowed us and furnished by the company until actually authorized it would change the conditions of authorization.

The CHAIRMAN. Should the company come to you and offer space of their own volition and say to you that you need more space than you are taking? Does not the initiation necessarily have to take place with the departmental representative?

Mr. STEWART. Surely; and I do not mean to convey the idea that our officers in the field would not take up the necessity immediately and report upon it.

The CHAIRMAN. But they could not act, except to report; before action could take place it would require decision and authorization from the Second Assistant Postmaster General.

Mr. STEWART. If the rule were followed strictly they could not utilize space until after that specific authorization, but the plan could be sufficiently elastic to allow the space to be used before the actual authorization could be made.

The CHAIRMAN. Well, suggest the elasticity that would cover the case.

Mr. STEWART. A very simple plan would be to authorize the superintendent in the field to make the request and supply the car.

The CHAIRMAN. Then you would not have to wait.

Mr. STEWART. Then report the facts to the Second Assistant and get the formal authority.

The CHAIRMAN. But the Government would be bound by the action of the subordinate.

Mr. STEWART. To a certain extent, within his authority.

The CHAIRMAN. What authority are you going to give him?

Mr. STEWART. Exercise his own discretion.

The CHAIRMAN. But the Government is bound if he takes that action under his authority.

Mr. STEWART. It would be until it was revoked.

The CHAIRMAN. And that would hold for the round trip of that particular activity, would it not?

Mr. STEWART. Yes, sir.

The CHAIRMAN. The delay incident to the authorization, I take it, where you mentioned several weeks, would be for the authorization of the general annual normal business.

Mr. STEWART. I had more reference to the present system than to the one which would obtain under the new plan, because the annual authorization would be made upon the basis of space actually used at the statistical period. There is no uncertainty about that; that would be reported by the officers of the department—the space actually used in handling the mail.

The CHAIRMAN. You expect to have two authorizations, as I understand—one an annual, for which the Government is bound and upon which the Government settles with the transportation companies every month; the other the abnormal or excess authorization—and you would have delegated authority to the inspector on that route to initiate that authorization, the Government being bound for the compensation, according to the standard adopted for that round trip?

Mr. STEWART. Well, that is making it very specific; but, in general terms, that is correct.

The CHAIRMAN. Is it not wise to make it specific in a study of this kind?

Mr. LLOYD. I did not understand General Stewart that way awhile ago. I understood him to say the authorization was for 12 months at a time, and any additional service would not be adjusted until the end of the year, and then it would be adjusted. If they were continuously using additional space, then for the next year they would pay for the additional space.

Mr. STEWART. That is right.

Mr. LLOYD. In other words, it is on the same principle exactly as the present weighing system.

Mr. PETERS. Is that fair, that they would go on for six or nine months?

Mr. LLOYD. No. I say not.

Mr. PETERS. And perform that additional service without any compensation? Should not the adjustment be made at once without going into a daily record of all this?

Mr. STEWART. It would be impossible, with such a tremendous business as we conduct with all the companies of the United States, to undertake to readjust every day, every week, or every month, so you would have to approximate it somewhere; and our purpose was to approximate it on the space basis, in substantially the same way that we do on the weight basis, only with this advantage to the company, that it is done every year instead of every four years.

The CHAIRMAN. It seems to me extremely simple that, based on the volume of business of the previous year, the department figures what number of cars would be required, allowing for a normal increase in business during the coming year. The department makes authorizations; the Government is bound and pays compensation to the railroad on those authorizations; the railroad gets the money once every month as it does to-day. Now, when abnormal business comes up, authority is given to the inspector in charge to call for additional space; he is to call for a 15-foot car, or a 30-foot car, or a 60-foot car, and the credit is given to the transportation company and a debit to the Government for the round trip of that car, whether the car is full, half full, or quarter full. The initiation has to take place with the departmental representatives. That is the method, as I understand, that you practically operate under, is it not?

Mr. LLOYD. That is the difference between his suggestion and the one I made.

The CHAIRMAN. That seems to me absolutely simple. I do not see where any injustice is done the transportation companies at all; I do not see where any irritation can possibly come in or where any kind of dispute can enter. The transportation companies are not

supposed to represent or advise the postal department; the department must determine what the ordinary business shall be, and the transportation companies comply—so far as their ability will permit them—with the requirements made by the postal authorities, and the Government pays for the service rendered according to a plan fixed in the law itself.

Mr. PETERS. Mr. Stewart, do your figures show whether that would be a fair remuneration to the short lines, with the apartment cars and closed-pouch service? Did Mr. McBride go into that deeply enough?

Mr. STEWART. No. I do not know how this would be related to that particular feature of the question, but presumably it would give fair compensation where there is apartment-car service.

The CHAIRMAN. Then, as I understand, your adjustments are simply that the settlement is to be made at the end of the year with the railroads, of the aggregate of credit that has been given to the railroads for compliance with the abnormal or the special authorizations incident to the abnormal business?

Mr. STEWART. I assumed that that was Mr. Lloyd's idea.

The CHAIRMAN. That seems to me to be absolutely simple.

Mr. LLOYD. It need not necessarily be 12 months, but some specific time.

The CHAIRMAN. The railroads get the compensation, and it is simply a question of the period of settlement?

Mr. PETERS. The Second Assistant Postmaster General now could make an adjustment if a new line of cars is put on; he makes that effective at once, and the same thing would transpire under this basis. If you order a new line of service you would not wait until the end of the year to adjust that. The discussion the chairman had was with reference to the fluctuations; for instance, say on Thursday you wanted an extra car—that would take care of itself at the end of the year, but if we changed a schedule and put on a new train to-morrow you would have that effective at once.

The CHAIRMAN. But you get your compensation for the service rendered under any plan. It is simply a question of the period of settlement of the compensation, and I do not see why there should be any discussion or dispute about that. You get your compensation monthly, according to the general authorization; the intermittent or special authorization, or whatever you may term it, could be settled for quarterly, annually, or monthly, so far as that goes, just the same as the other. That is a matter of detail that does not affect the general issue.

Mr. MACK. That is, excessive space, after the authorization for the year would be paid for——

The CHAIRMAN. Paid for every time it was used on a round-trip basis.

Mr. MACK. If a line, having 30-foot cars, once each way, at the statistical period had its service doubled by an additional line there would be pay for the two round trips instead of one. They would be paid for the extra round trip at the time it was performed instead of at the end of the year.

The CHAIRMAN. The idea is this, as I understand it: We will take, for illustration, three full R. P. O. cars which are deemed by the Government as needed daily to handle the amount of business on

a certain route; they would authorize that for the year, whether they used them or not and the Government would be bound to pay one year's compensation for those cars; that is, the annual authorization based upon careful ascertainment by the departmental representatives as to the requirements. It is found that there are more than 7½ tons of mail some day—we will say 10 tons—and another R. P. O. car is required to handle that mail that day, in which event a credit is given the transportation company on that route on the 25 cents a mile basis, or whatever the basis might be, for the round trip of that extra R. P. O. car for that particular trip. The business comes back to the normal condition of 7½ tons a day. You have three R. P. O. cars authorized for the year, each carrying 2½ tons of mail on an average. You have 1 ton extra for a certain day, say 8½ tons, the normal of 7½ tons goes into the three R. P. O. cars, and the inspectors ask the railroad covering the route for a 30-foot car, which is furnished. The railroad gets credit for the round trip on a basis of 12½ cents per mile for the number of miles traveled by that car for the whole round trip from the point of destination to point of delivery and return, whether it is used for mail on the return or not.

Mr. MACK. It would not be a case of a 30-foot extra apartment car. The service does not require, for instance, a 30-foot apartment car as an extra car on the run.

The CHAIRMAN. What do you mean; that the railroad would not have in stock a 30-foot car?

Mr. MACK. I mean the conditions of the service would not call for a 30-foot apartment car as an extra car on the odd day of the week. That condition does not exist. It is a full car or load in a storage car, or an additional storage car.

The CHAIRMAN. If you have the same compensation whether it is a storage car or an apartment car, I do not see where it would make any difference to the railroads.

Mr. PETERS. Suppose you had a 30-foot car with all the mail it would carry and two or three truck loads extra that had to go into the baggage car. Would that go as closed pouch service or would it have to go in the additional 30-foot car?

Mr. STEWART. Under any condition you would send that as closed pouch.

Mr. MACK. I was going to inquire a moment ago about a particular case that occurs with some frequency on our own lines, to see what the application of the new plan would be to that case. For instance, the morning train from St. Louis to Kansas City has ordinarily one 60-foot mail car and it is not infrequently the case that it has a second mail car, a 60-foot baggage car and half of the regular baggage car on the train loaded. I was wondering how that would be paid for. That is an actual condition that occurs with considerable frequency, the authorization, covering, of course, the first car only.

Mr. STEWART. Just one line under authorization?

Mr. MACK. Yes. I was wondering how that condition would be met on a space basis.

Mr. STEWART. How frequently would that extra service occur?

Mr. MACK. Quite frequently. It depends entirely on connections. It is not due to the difference in the days of the week, but depends

on connections. That applies on other lines as well as the one I have mentioned.

Mr. STEWART. As much as once a week?

Mr. MACK. Well, not with any regularity. It might occur once a week and it might occur twice a week.

Mr. STEWART. I presume, under Mr. Lloyd's plan, that the extra lines would be duly authorized and would be paid for during the time that it ran. Under the plan suggested by the department, the frequency with which you supplied those additional cars during the statistical period would influence the question as to what pay you would get for them. If they were regular, or were regular to an extent they were said to be needed during that period, you would get paid for them as a regular line during the year. That particular question, however, I do not think we have considered, as to what regularity during the statistical period would warrant an annual authorization for an additional line, but that could be fairly determined.

Mr. BRADLEY. Mr. Chairman, you asked General Stewart who would initiate the demand for additional space when needed and it suggested to me the thought that the basis of this change would be better appreciated if we asked a question as to what it is at the present time that initiates the demand for the additional space.

The CHAIRMAN. I think that is very pertinent.

Mr. STEWART. The conditions of the service are subject at all times to careful inspection. It is the duty of the chief clerk of the Railway Mail Service, who has charge of the particular line, to travel his line frequently and ascertain what those conditions are and make report to his superintendent, and if it is shown by those reports that additional space is needed, he recommends it to his superintendent and his superintendent goes over the question and recommends it to the general superintendent and ultimately it comes to the department for authorization or disallowance as the facts might warrant.

Mr. BRADLEY. Is it not a fact, however, that that simply applies to mail-car space that now represents 10 per cent of the total appropriation, and is it not a fact that the initiation for additional space at the present time is produced by the volume of the traffic—that is, by the weight of the mail—the law making it the duty of the railroad company to transport all mail offered, so that the weight of mail offered to be dispatched automatically fixes the space that is necessary for the transportation?

Mr. STEWART. I hardly follow you there. I do not see just what the relation of what you say has with the initiation of the recommendation for additional space, excepting as it shows the condition of the service that I have mentioned. The officers of the department are obliged to know the condition of the service; and if we are needing more space than is authorized, or if we are using more space furnished by the company than is authorized, and that is a habitual condition, it is their duty to report it to the department for action. Very often the question is brought up by the company itself that the department is using more space than is authorized, and it is not altogether infrequent that the matter comes to the department in that shape before it reaches the department by a recommendation from the field officers. There is not much chance for the department to go very far wrong on the question of space, because the field

officers are alert all the while, and it is their duty to know the conditions and report them; and the agents of the railroad companies are alert at watching the conditions, and they bring those conditions to the attention of the field officers and often to the attention of the department independently, where they think they are not being paid for the actual space used.

The CHAIRMAN. General Stewart, by the adoption of Mr. Lloyd's suggestion, would there be any greater opportunity for diversion of mail than exists to-day under the practical operations of the postal department?

Mr. STEWART. No; not that I can see. I do not see anything in the proposition which would influence that question.

The CHAIRMAN. If I correctly understood Mr. Peters this morning, he thought that by such a substitution there would be an invitation or a greater opportunity for favoritism than exists under the present system, without any intentional reflection upon the department in any way. Did I understand you correctly?

Mr. PETERS. Yes. I was basing my statement on the views that Mr. Mack made in discussing the point. Mr. Mack brought out some features of that kind and, I think, also Mr. Baldwin. I think Mr. Baldwin asked you a question a moment ago, supposing you had more mail than could be accommodated in a 30-foot car, and there was another mail route almost parallel, running to the same terminals, and a train leaving at very nearly the same time. Instead of calling for additional space on that road where the mail naturally goes, could you not divert that over the other lines and fill up those cars rather than pay for additional space?

Mr. STEWART. The department could do that; but I do not think there would be any greater liability to do that than under the present conditions, because I assume that the rules regarding the transportation of the mail, the distribution of it, or the allotment to the companies would obtain under the new plan as obtain now. We do not take mail from a carrying company now unless there is some material advantage to be gained by the competing company; and as long as the carrying company can meet the terms of a competitor it retains the mails, and I assume that the same general policy would be pursued under any plan.

Mr. PEABODY. I think, General Stewart, you misunderstand the question. Take the case in point: In the Kansas City depot there are two trains standing side by side running between Kansas City and Denver, the Santa Fe having one train and the Rock Island another. Those trains leave at the same time. The amount of mail offered to the Santa Fe is more than can be accommodated in the authorized space and the Rock Island on that particular day has unoccupied space in its train. The point is, would not that extra mail be taken and given to the Rock Island, instead of the department calling on the Santa Fe for another car to carry that mail?

Mr. STEWART. Well, I think it would.

The CHAIRMAN. Would it not be good administration to do that?

Mr. STEWART. Yes.

Mr. BALDWIN. Between Chicago and Omaha there are four roads, so that in this question of space you would have the question of choice of four roads to switch it around.

Mr. STEWART. We certainly would use the space we had authorized somewhere, if we could.

Mr. PETERS. It is quite natural that the department would take advantage of all those points and it is proper that they should. Therefore, I asked you the question whether you figured, in applying that 25-cent rate and getting it up to a total of $64,000,000 for railway mail pay, how much you would be able to economize by those consolidations and utilization of space, so that if you adopted this basis and those rates, you would not actually pay out $64,000,000, but by consolidation you would bring it down to perhaps $55,000,000.

Mr. STEWART. I did not understand your question when you asked it. Of course, there would be the possibility of economizing in the administration and without some experience it is impossible to tell to what extent you could carry that.

Mr. PETERS. As a result of that, the railroads would be carrying greater weight and the weight of mail would be increasing all the time without any increase in space or increase in compensation to the railroads.

Mr. STEWART. Yes; but you must remember this, that the space which is fixed on here is much more in excess of what we are using now.

Mr. PETERS. You say that it is in excess?

Mr. STEWART. Yes.

Mr. PETERS. Part of it is based on figures of four or five years ago. Things have grown since then. You have added the parcel post?

Mr. STEWART. No. I am speaking of the apartment-car service, which is practically up to date; the railroad companies would start out on this plan, receiving more money than for the space we are actually using, and it would be perfectly proper for the department to use that space as fast as it could without any additional pay.

The CHAIRMAN. And the railroads would not be any losers, because they would not be authorized to carry additional cars for which they did not receive additional compensation.

Mr. PETERS. No; but they would be carrying cars more heavily loaded and not getting any share in the growth of the mail business that is going on. Now we do get a share as the weights increase.

The CHAIRMAN. And you get your compensation for four years, on a computation four years old?

Mr. PETERS. Yes. Therefore we ask for a weighing every year. If such a basis were worked out, the rate per car should be made high enough to let the railroads have a reasonable chance at this thing; reasonable compensation to overcome the condensation and concentration of load that the department would make?

The CHAIRMAN. Mr. Peters, I call to your attention this thought: That under the computation made, which the department has expressed a desire to check and verify, and is not submitted formally, but on a basis of 25 cents a car-mile, the transportation companies would receive $62,855,294 in the aggregate for R. P. O. 60-foot cars, storage cars, 30-foot apartment cars, and 15-foot apartment cars, worked down upon the present volume of business. So far as the aggregate compensation to the transportation companies goes, it is immaterial whether it is carried on this line, that line, or the other line; it has to be carried and the Government has to pay for the car-

riage. That is simply a matter of apportionment as between the railroad companies performing the service.

(Under date of May 23, 1913, the chairman received a letter from Hon. Joseph Stewart, Second Assistant Postmaster General, explanatory, from an administrative standpoint, of Representative Lloyd's suggested plan for payment of transportation of the mails on railroads, which letter reads as follows:)

POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
*Washington, May 23, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, Congress of the United States.*

MY DEAR MR. CHAIRMAN: Referring to the proposed plan suggested to the committee by Representative Lloyd for payment of transportation of the mails on railroads, whereby compensation in the railway post-office and storage-car service would be based upon car-mile units for cars of 15 feet, 30 feet, and 60 feet in length, respectively, and in the closed-pouch service upon a unit of miles traveled, and to the informal discussion at the hearings of May 14 of the estimate of the cost of service under such plan, prepared by the Superintendent of the Division of Railway Adjustments, I have the honor to transmit herewith the estimate referred to, with an explanation of the manner of its preparation.

The estimate has necessarily been based upon such data as were found available, and while it is believed to be sufficiently accurate to enable an idea to be gained of the probable expenditure under the suggested plan, it should not be accepted as a conclusive calculation.

The following table recapitulates the calculations made:

*Estimate of cost for railroad transportation under plan proposed by Hon. James T. Lloyd.*

| Character of service. | Rate per car mile. | Amount. | Rate per car mile. | Amount. |
|---|---|---|---|---|
| R. P. O.[1] | $0.25 | $31,699,601 | $0.22½ | $28,529,641 |
| Storage[2] | .25 | 5,524,554 | .22½ | 4,972,099 |
| 30-foot apartment | .12½ | [3] 20,882,468 | ..... | [1] 20,882,468 |
| 15-foot apartment | .06¼ | [3] 4,748,399 | ..... | [1] 4,748,399 |
| Closed pouch | ..... | [4] 1,372,821 | ..... | 1,372,821 |
| Total | ..... | 64,227,843 | ..... | 60,505,428 |
| SECOND ESTIMATE.[5] | | | | |
| R. P. O | .25 | 31,699,601 | .22½ | 28,529,641 |
| Storage | .25 | 5,524,554 | .22½ | 4,972,099 |
| 30-foot apartment | .12½ | [6] 19,394,949 | ..... | 19,394,949 |
| 15-foot apartment | .06¼ | [7] 4,410,039 | ..... | 4,410,039 |
| Closed pouch | ..... | [8] 1,372,821 | ..... | 1,372,821 |
| Total | ..... | 62,401,964 | ..... | 58,679,549 |

[1] On basis of car miles of service for 1912 reported by Railway Mail Service.
[2] On basis of car-foot miles of service reported in H. Doc. 105, storage and deadhead.
[3] On basis of seven times a week mail service.
[4] On basis of car-foot miles reported in H. Doc. 105 at $0.00435 per car-foot mile, average passenger service revenue per car-foot mile reported by railroads.
[5] Same as above, except that apartment car service based on 50 per cent being performed six times a week service, and 50 per cent seven times a week.
[6] Based on estimate that 50 per cent of apartment car service performed on Sundays.
[7] Based on estimate that 50 per cent of apartment car service performed on Sundays.
[8] On basis of car-foot miles reported in H. Doc. 105 at $0.00435 per car-foot mile, average passenger service revenue per car-foot mile reported by railroads.

The method of ascertainment of the different items contained in the foregoing table was as follows:

RAILWAY POST-OFFICE CAR SERVICE.

The car mileage of full railway post-office cars for the fiscal year 1912 was reported to have been 126,798,405 car-miles. Multiplying this car mileage by 25 cents and 22½ cents a car-mile, the former rate being the average car-mile revenue for passenge service of the country and the latter rate being that rate less 10 per cent, the result is $31,699,601 and $28,529,641, respectively, as the probable cost of full railway post-office car service.

APARTMENT RAILWAY POST-OFFICE CAR SERVICE.

The suggested plan provides for two standard sizes of apartment postal cars, 15-foot and 30-foot. In the actual operation of the service there are apartments in use ranging in length from 7 feet to 30 feet. Statistics as to the daily route mileage of apartment cars of the various lengths were compiled in the department about a year ago, upon which the estimate of the probable cost for this kind of service was based. The process was to first ascertain from the data the daily route-foot miles of all lines of apartment cars. Inasmuch as but two sizes of cars are proposed to be furnished under the plan, namely, 15-foot and 30-foot, cars of the minimum length and up to 17 feet in length were considered as 15-foot cars, and those 18 feet or more in length were considered as 30-foot cars, and the route-foot miles increased or decreased accordingly. From the daily route-foot miles the annual car mileage was then ascertained by the following formula: The daily route-foot miles multiplied by 2 equals the daily car-foot miles. This product divided by the length of car (15 or 30 feet, as the case may be) and multiplied by 365 (for seven times a week service) or 313 (for six times a week service) equals the annual car-miles. Multiplying the car-miles thus obtained by 12½ cents (for 30-foot cars) and 6¼ cents (for 15-foot cars) produced the estimated cost of apartment postal car service.

STORAGE-CAR SERVICE.

Estimated cost based on the car-foot miles for this class of service (including deadhead cars) reported in House Document 105 as having been operated during the month of November, 1909 (110,491,094 car-foot miles), extended to embrace a year's operation (1,325,893,128 car-foot miles) reduced to car miles on a 60-foot basis (22,098,218 car-miles) at same rates as full railway postal car service, viz, 25 cents and 22½ cents per car-mile, producing $5,524,554 and $4,972,099, respectively.

CLOSED-POUCH SERVICE.

The estimated cost of the closed-pouch service was based upon the car-foot mile statistics for this class of service reported in House Document 105 for the month of November, 1909 (26,299,260 car-foot miles), extended to cover the operation for a year (315,591,120 car-foot miles). The cost was figured at the rate of 4.35 mills per car-foot mile, the rate of revenue per car-foot mile reported by the railway mail pay committee as being received from all passenger service. This produced $1,372,821 as the estimated cost of closed-pouch service.

Yours very truly,

JOSEPH STEWART,
*Second Assistant Postmaster General.*

Mr. PETERS. And that would depend on the character of the service they gave?

Mr. BALDWIN. At one time I was complaining to an officer as to the meager pay on the smaller roads that furnished apartment cars on the basis of the present space. He said that is not a correct statement on the basis of space, and he said if he were paying for the space we would not use any more than half as much as we do now.

The CHAIRMAN. Let me ask you in that connection, Mr. Baldwin, if in the operation of your road you would take the ipse dixit or the impression of a single employee and assume that to be determinative and change or modify your general policy because of that individual statement?

Mr. BALDWIN. No. It would depend a great deal on who it was and his experience.

The CHAIRMAN. And also on his ability to demonstrate to you the soundness, before you would authorize it being put into operation?

Mr. BALDWIN. Yes.

The CHAIRMAN. Well, let us deal with this the same as you gentlemen deal with your transportation questions. That is what we are trying to do.

Mr. BASKERVILLE. Say, for instance, a line on which we have a mail and baggage car every day, for instance, where you have a 30-foot car authorized. Under Mr. Lloyd's plan, what would you authorize? You claim you can not get in our 30-foot car all the mail, and you put part of the mail back in our baggage car every day.

Mr. STEWART. The working mail?

Mr. BASKERVILLE. It does not make any difference whether it is working mail or not?

Mr. STEWART. Yes. It would make a difference whether it was working mail.

Mr. BASKERVILLE. Under Mr. Lloyd's plan?

Mr. STEWART. Yes; it would.

Mr. MCBRIDE. They would authorize a 60-foot car under that statement of fact?

Mr. STEWART. Perhaps I do not understand Mr. Lloyd's plan fully. I was not here when Mr. Lloyd gave it. Mr. McBride says he thinks that would justify a 60-foot authorization.

Mr. PETERS. If it was not working mail you would pay closed-pouch rates on what was in the baggage car.

Mr. BASKERVILLE. I do not think you would pay closed-pouch service on an R. P. O. train. Any train that carries postal clerks is an R. P. O. train.

Mr. LLOYD. According to my plan, if you use a 30-foot car you pay for it; if you use a 60-foot car, you pay for it. I would put it all in one car, and if you need a 60-foot car I would put it in a 60-foot car and pay for it. Candidly, what I am aiming to do is to take away from the department everything that can be taken from it, so that there will be no ground for misunderstanding between the railroad companies and the department. I want to avoid the friction that exists between the two. If you can not get the mail in a 30-foot car, you must put in a 60-foot car and pay for it.

Mr. BRADLEY. I think the principal difficulties with that plan are the administrative features. General Stewart, in speaking of a hypothetical case, said that if a case were presented to the department where they were running a 30-foot car and needed more space, that the department would, of course, authorize it as promptly as possible. Now, would not the first attitude of the department be against that authorization, and properly so, to protect the interest of the Government?

The CHAIRMAN. Why, if the mail accumulated and was not delivered, would they not be criticized right away by the American people for poor administration?

Mr. BRADLEY. The question is, Would it accumulate? Would not the officers of the department say to the field officers, have you

used every means of getting that mail into the 30-foot car already authorized?

The CHAIRMAN. Would not that be proper?

Mr. BRADLEY. Yes. However, that brings us back to the field officer. The case presented is that there is a 30-foot car authorized and there is a surplus of mail; the railroad officer says to the field officer, you need 30 feet additional car space, and the field officer says, "Oh, no; we only need 15 feet." There is a weakness in the plan; that is to say, the field officer might be competent to state his necessity, but he is not willing to admit the operating necessities that affect the railroad company. The department ought to have a representative to ask for precisely what it needs, if the railroad company can fix the rate, but inasmuch as Congress, or the law, fixes the rate, then it is important that both sides have some protection against each other, the department against the undue demands of the railroad company and the railroad company against the undue demands of the department.

The CHAIRMAN. Then all your criticism against the plan would be abolished if there was but the one unit, a 60-foot car. In other words, if there were not any other cars than a 60-foot car and all compensation was based on a 60-foot car, and whenever any mail was carried outside of each full 60-foot car, whether it was a pouch, or a ton or 100 tons, the railroads would receive compensation for that 60-foot car. Is not that true?

Mr. BRADLEY. That is true if it were practicable.

The CHAIRMAN. Well, that is a hypothetical case. Your objection is not to the plan proper, but it is to the practical operation of it, as I understand. Yet, if the department calls for 15 feet, it can not call for 10 or 5. If it needs 5, it has to call for 15, the railroad receives compensation for 15, or whatever measure is adopted, and the railroads, so far as compensation is concerned, get the best of it all the way through, providing the compensation determined upon is based on the assumption as to the authorization being fully used during the latter period of service. Is not that true?

Mr. BRADLEY. As I understand you, I think it is.

The CHAIRMAN. So that there would be an actual reversal of existing conditions. Now, you are at a disadvantage in the fact that you do not get compensation for the growth of the mail. All growth of the mail would be decidedly to your advantage, because you would get compensation on the vacant space up to the time it is utilized, and then immediately a new vacant space must commence because of the additional authorization required. I must say that if I were the representative of a railroad, as between the existing conditions, this plan would appeal to me very strongly.

Mr. BRADLEY. My personal opinion is that theoretically it is very attractive indeed.

Mr. PETERS. Do you think it would be possible, in connection with this tentative rate, that that rate could be left out of your law and the rate filed with the Interstate Commerce Commission, and not changed except by an order of the commission, after investigation or ruling as to its reasonableness?

The CHAIRMAN. Suppose that plan were adopted. Would not the same difficulty exist that you gentlemen have advanced here in ref-

erence to the compensation that you would receive; that is, a difference of opinion between the departmental representative and your own representative as to the amount of space that was used? Would that simplify it any?

Mr. PETERS. No. If you filed your rate with the commission your rate is not subject to change every year when your appropriation bill is made, but your rate, being filed with the commission, like any other rate, would only be changed after investigation and determination as to its reasonableness.

The CHAIRMAN. It would be changed at any time there was a dispute between the departmental representatives and the railroad representatives, and a hearing held, and the Interstate Commerce Commission reached a conclusion. It is subject exactly to the same change, it seems to me, and I do not see how by the adoption of that plan you would avoid these difficulties that you have suggested as arising under the adoption of Mr. Lloyd's suggestion.

Mr. PETERS. At the present time whenever your appropriation bills come up the question of rate and total pay is the subject for legislation.

The CHAIRMAN. It would not be if we were able to work out a scientific, just, equitable, and demonstrable plan as to what was fair compensation.

Mr. LLOYD. What we want to do is to get it settled, so that it will not come up every year.

Mr. PETERS. We would all be very thankful to see it settled.

Mr. ROBINSON. Unfortunately I was not present when either of the two plans were submitted, and I do not know if it has been brought out as to what effect it would have on the short lines. Take, for example, my road, which handles only 200 pounds a day. Would the department order a 15-foot car, or would they throw the mail into the pouch service?

Mr. LLOYD. What do you use now?

Mr. ROBINSON. We have no assignment of a car now. For example, we have a route agent in charge of the service, and, of course, we get no compensation——

Mr. STEWART. Are you carrying about 200 average daily weight?

Mr. ROBINSON. Yes.

Mr. STEWART. That would be closed-pouch service?

Mr. MCBRIDE. Do you have a clerk on there now?

Mr. ROBINSON. Yes.

Mr. MCBRIDE. In the distributing car?

Mr. ROBINSON. Yes.

Mr. MCBRIDE. It would probably continue.

Mr. ROBINSON. We get no compensation for the car, because we do not use a 40-foot car.

Mr. BRADLEY. You have a mail-apartment car?

Mr. ROBINSON. We have a mail-apartment car, and we handle less than 200 pounds a day.

Mr. LLOYD. The proposition suggested tentatively was to have three kinds of cars, a 60-foot car, 30-foot car, and a 15-foot car. If the department used a 30-foot car you would get paid for a 30-foot car, and if they used a 15-foot car you would get paid for that.

Mr. ROBINSON. But the question which I want to bring out now is, Would the department think it necessary to have a 15-foot car to

handle 200 pounds of mail a day, or would they throw it into the pouch service?

Mr. LLOYD. If they did you would get paid for pouch service only. There have been two plans suggested with reference to the pouch service, one to use something like the present electric system, which provides for so many cents per mile just the same as the other—say, for instance, 3 cents a mile where you use the pouch service.

Mr. ROBINSON. That is easily ascertained, what it would be on so many miles.

Mr. LLOYD. That would be my idea of the best way to do it.

The CHAIRMAN. Mr. Peabody, right after recess you made a suggestion to me which I would like to have you repeat now, in order to get it into the record, as a possible solution of the problem we have before us. Would you kindly state for the information of the committee what that suggestion was?

Mr. PEABODY. It occurred to me as a possible solution, if it was workable or permissible under the law in the first place and it could be adopted. I have not figured on this as to the results, but I thought it might be well to talk it over. The proposition is to treat the mail the same as you would treat any commercial business, the department being the shipper. I see no reason why the mail can not be treated in that way. The Government has a certain commodity to ship; they may ship that commodity either on a basis of 100 pounds or on the basis of the carload, dividing it, if you please, into various carloads of 15, 30, and 60 feet, or closed-pouch service, having that proportion as a unit—it makes no difference what the unit is, whether it is 100 pounds or a portion of a car—the department to designate the unit that they want to ship. They say they have so much to ship every day, on some roads two cars, other roads one car, other roads half a car, and other roads a quarter of a car, and on other roads closed-pouch service, but the department to designate the service that they want from the railroad companies, and having designated that, let the railroad companies exercise their present prerogative of naming the rate as to what the compensation shall be.

The CHAIRMAN. You mean in all services outside of the mail, their present prerogative?

Mr. PEABODY. Yes; as to initiating what the rate shall be. If that rate is deemed by the shipper, which in this case is the Post Office Department, to be reasonable, they can accept it and make up their budget and recommend to Congress an appropriation on that basis. If they do not deem it reasonable, they can refer it, the same as any other shipper, to the proper tribunal for determining what the rate shall be. That gives the railroad the opportunity of appearing before the tribunal to sustain their rate, if they are able to sustain it and the commission will authorize it; if not, the commission will determine what a reasonable rate will be, and that rate, as determined by the commission, will be used in their recommendations for a budget to be presented to Congress. I was wondering whether or not that would be feasible. Of course that would take out of the hands of Congress all practice of making the rates.

(To further elucidate the thought expressed by Mr. Peabody in the foregoing paragraph and the second next preceding, the following correspondence is, by direction of the chairman, here inserted:)

CHICAGO, *May 22, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman of the Joint Committee on Postage on Second-Class Mail Matter and Compensation for Transportation of Mails, Washington, D. C.*

DEAR SIR: Referring to the suggestion made by the writer at the hearing in Washington last week as to the possibility of putting the transportation of the mails upon a strictly commercial basis, bringing it under the administration of the same rules that govern all other transportation, it has occurred to me that the proposition was not as clearly stated as it might and should have been.

The Congress of the United States has asserted its right to regulate the interstate commerce of the country. In the assertion of that right it has prescribed that all transportation service shall be performed by the railroads at reasonable rates, and for the purpose of insuring that this regulation in common with other requirements shall be properly observed, it has created an expert commission, giving to it the power not only to determine whether or not existing rates are unreasonable, but also to prescribe, after investigation, what are reasonable rates, and to direct not only that such rates shall be charged in the future, but to award reparation to shippers on rates charged which may be found to have been unreasonable. Under this scheme of regulation the railroads initiate the rates and file them with the Interstate Commerce Commission, which rates are subject to investigation as to their reasonableness by the commission, either upon complaint of the shipper or of their own motion. If the commission finds them to be reasonable, no change is made; if found to be unreasonable, the commission proceeds to determine a reasonable rate, which rate is prescribed for a specified term and must be charged on all shipments made thereunder.

There is nothing inherent in the transportation of the mails that, from a transportation standpoint, distinguishes it from any other commodity. The Post Office Department is a shipper, having a commodity which it desires to have transported between various points. It can predetermine with reasonable certainty the amount it will have to transport, and may make a tender of its business upon the space or weight basis, as may be preferred. The carriers can then name their rate, filing same with the Interstate Commerce Commission. If such rate is satisfactory to the Post Office Department, no further action is needed except to make up a budget for the report to Congress as to the amount of the appropriation needed for the transportation of the mails.

If the rate named by the carriers shall be deemed by the Post Office Department to be unreasonable, it can appeal to the Interstate Commerce Commission, the authority created by the Congress for the determination of this exact question, which authority will proceed to determine and prescribe what is a reasonable rate, which rate will then govern the transportation of the mails for at least a period of two years, and thereafter until changed. This procedure would seem to be the most logical and ought to be the most satisfactory method that could be adopted. The determination of a reasonable rate is neither a legislative nor administrative function. It is purely a judicial question.

In your efforts to obtain information which would enable you to arrive at some conclusion in the matter, you have held many hearings, but a careful reading of the testimony presented fails to disclose any sufficient evidence to enable anyone to say what is a reasonable rate to be paid for the transportation of the mails. Such evidence as has been submitted is practically ex parte, and therefore inconclusive in the solution of such a question. It is equally certain that Congress neither has nor can have such evidence before it as will permit of any intelligent or just conclusion of the matter.

As already stated, the determination of a reasonable rate is purely a judicial function, and, recognizing that fact, the Congress of the United States has wisely designated a tribunal for this very purpose, authorized to pass upon this very question, and it would seem to be wise, therefore, both on the part of the railroads and the United States authorities to submit the question to this tribunal, that no injustice to either party may be done.

The entire subject is one that is too large, too complicated, and too vital to all parties to be determined otherwise than by a most careful investigation by the Interstate Commerce Commission. That body, by reason of its long experience, has become expert in the matter of rate making, and while the railroads have frequently been unable to agree with its conclusions, the writer nevertheless believes that substantial justice will be more nearly accomplished by pursuing the method outlined above than by any other means.

An additional reason why the question of the rate to be charged for the transportation of the mails should fall within the purview of the Interstate Commerce Commission is the varying transportation conditions of the different parts of the country. Speaking broadly, the United States is commercially divided into three transportation divisions, which are operated under different conditions. The lines serving the territory north of the Ohio and Potomac Rivers and east of the Mississippi, known as Trunk Line and Central Association Territory, are governed by the official classification; the territory south of the Ohio and Potomac and east of the Mississippi is governed by what is known as the Southern Classification; while the lines operating in the territory west of the Mississippi River are controlled by the Western Classification, all of these classifications varying greatly in their terms and conditions. These different classifications are necessitated because of the diverse transportation conditions existing in these territorial sections, and, although repeated efforts have been made to unify them, they have not as yet been successful. It is not unnatural to infer that in a territory, like group 2 of the Interstate Commerce Commission territorial divisions, embracing New York, New Jersey, Pennsylvania, Delaware, and Maryland, with a traffic density of nearly 3,000,000 ton-miles per mile of road, a lower rate may possibly be justified than one applicable to group 8, comprising the States of Missouri, Arkansas, Oklahoma, Kansas, and Colorado, with a density of less than 6,000 ton-miles per mile of road.

It is such considerations as these that led to the suggestion of bringing the rate question, so far as it applies to the mails, under the same regulative control as are all other transportation services. Congress may well and should define with exactness the unit of service, such as the whole car, one-half car, and one-quarter car for the general service and the car-mile for the closed-pouch service, in case the space basis is adopted, leaving to the Post Office Department to determine the frequency of the service, thereby permitting a discretionary adjustment as between economy and efficiency, but, as it seems to me, it would welcome any plan which would relieve it of the annual discussion over the rate of pay to the carriers of the mail. As already stated, the floor of Congress is neither the logical nor possible place for the equitable settlement of such a question.

Yours truly,

JAS. PEABODY, *Statistician.*

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MAY 26, 1913.

JAMES PEABODY, Esq.,
*Statistician, Atchison, Topeka & Santa Fe Railway System,*
*Railway Exchange, 80 East Jackson Boulevard,*
*Chicago, Ill.*

DEAR SIR: Your favor of the 22d received and contents noted.

Your conclusions, based on the hearings held by our joint committee as to the lack of evidence to demonstrate what is a reasonable rate to be paid for the transportation of mail, is quite likely correct, but certainly the joint committee is in no manner to blame. No committee has ever given a larger opportunity to make out a case than the transportation companies have received from our committee. It is evidently your opinion, according to the terms of your letter herein acknowledged, that the railroads have failed utterly; yet, after such a determination, you propose that the railroads shall be given the power to name the rate that shall be charged until declared unreasonable by the Interstate Commerce Commission. How could you defend the joint committee if it recommended to Congress that the power to make the rate to be charged be delegated to the railroads until declared unreasonable by the Interstate Commerce Commission when, after many months preparation and several months' hearings, according to your own statement, you have been unable to demonstrate what a reasonable rate would be? If you and other specialists in rate making are unable to demonstrate a reasonable rate, then, necessarily, an arbitrary rate must be adopted, in which event, it seems to me, it is much better that the representatives of the people, the Post Office Department, and the railroads, namely, Members of Congress, shall declare what the arbitrary rate shall be than delegate that power to either the postal department or the railroads themselves.

I am herein simply expressing my own individual views, and in no manner attempting to express those of the joint committee, but would appreciate your reply to my view.

Yours very truly,

JONATHAN BOURNE, Jr.,
*Chairman.*

CHICAGO, *June 3, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Railway Mail Pay Committee,*
*Washington, D. C.*

DEAR SIR: Acknoweldging receipt of your favor of May 26. While there is no doubt that the railroads have been given large opportunity for the discussion of the question, I doubt if any of them had any idea that they would be called upon to demonstrate what was a reasonable rate of pay for the transportation of the mails. They expected to reply, and their efforts were mainly directed to replying to Document 105, of the Postmaster General, and I think you will agree with me that not only did they totally disprove the statements contained in that document, but also established the fact that the present pay received by them for the transportation of the mails was inadequate.

I think you will also agree with me that with the exception of the Second Assistant Postmaster General, who seemed obsessed with the idea that the Government was a preferred shipper and therefore entitled to lower rates than other shippers, it was the universal sentiment at the hearings that the railroads should receive a reasonable rate for the service they perform, but up to the time of the adjournment of the last hearing there had been no sufficient, nor indeed any considerable evidence offered as to what would constitute such reasonable rate. The omission on the part of the railroads to produce evidence in this particular may have been their fault, but that they considered that they were not expected to do so is evident from the composition of the committee having the case in hand, the immediate members of which, with perhaps a single exception, being practically unfamiliar with the data required to maintain such a proposition. It was easy to disprove the statements of Document 105, nor was it difficult to show that the present compensation paid the railroads for the transportation of mails was inadequate, but the proposition as to what would constitute a reasonable rate for such service presents an entirely different question, and one that can only be properly solved through the medium of a judicial inquiry. It was for this reason that at the close of the last hearing I made the suggestion, which was designed to bring the case before the Interstate Commerce Commission, the tribunal created by Congress for the determination of that exact question.

The form in which the proposition was submitted did not contemplate putting into the hands of the railroads any power to determine the rate which should be charged for the transportation of the mails irrespective of its reasonableness, but only followed the line of present practice under the law so as to have the case determined by the Interstate Commerce Commission. That tribunal, as it exists, has no power to initiate a rate, but it has the power, when once a rate is made, either of its own motion or on complaint, to investigate and determine what is a reasonable rate to be charged thereafter. My thought was to have the railroads make a rate to become effective after such time as would give the commission opportunity for action, say, six months or a year, that tribunal to immediately proceed with such inquiry and determine the result. It might perhaps be better for Congress to specifically direct the commission to take such action without the preliminary naming of a rate by the railroads. That would be immaterial, the main thing to be accomplished being the submission to and determination by the commission of a reasonable rate for the transportation of the mails.

I am unable to agree with your conclusion that "If you and other specialists in rate making are unable to demonstrate a reasonable rate then necessarily an arbitrary rate must be adopted." There is no such thing as a reasonable rate per se, nor is such a rate susceptible of mathematical demonstration. It is wholly a judicial question, to be determined by legal authority, after full hearing. The question of railway-mail pay is too important for the people and too vital for the railroads to be left to the arbitrary action of any body. All other rate questions, many of them even more important for the people as well as vital to the railways, have been removed from the zone of arbitrary action and brought under proper control. As I have before stated, the railroads can not always agree with the Interstate Commerce Commission as to the result reached by that body, and in many cases during the past years have felt that the commission has failed to appreciate the full force of attendant conditions, but I think the railroads believe that regulation, even if at times mistaken, is better than chaos, and that the commission, with its larger experience, is com-

ing into a better knowledge of all the circumstances, and has become better able to accomplish approximate justice than can be expected as the result of any nonjudicial inquiry.

Yours truly, JAS. PEABODY, *Statistician.*

The CHAIRMAN. Is it your idea, under this suggestion, that a separate rate would be made for each one of the 795 railroads and a separate rate on each one of the over 3,400 routes, which I understand you have to-day?

Mr. PEABODY. I think likely that the railroads could get together in time and agree upon a uniform rate. Perhaps it might be necessary to make two rates, one for the East and one for the West, on account of the density of the traffic, which is always of consideration in making rates, but that is a detail to be met by the railroad companies; they have the initiation, and I presume they could determine upon a rate, either a uniform rate as to the entire country or as to districts, possibly two different rates, applicable to long and short routes, but there would be no difficulty, I apprehend, in the railroads arriving at a rate at which they would be willing to carry the mail offered to them by the department.

The CHAIRMAN. What would be your reply to a criticism that might arise in the minds of some people as to possible collusion between the departmental representative and the railroad itself?

Mr. PEABODY. I hardly think that is worthy of any consideration. The days of collusion between the shippers and the railroads have gone by, and I do not apprehend any trouble on that score.

The CHAIRMAN. You do not imagine there would be any criticism of that plan because of that possibility by anyone?

Mr. PEABODY. I do not think so.

Mr. STEWART. Would there be a possibility of the department getting competitive rates between large points—for instance, like Chicago and Kansas City or New York and Chicago?

Mr. PEABODY. Not at all; not any more than there is now. There is no competition as to rates any longer. There can not be any competition as to rates.

Mr. STEWART. No; because it is fixed by law, but if we should get into the open market——

Mr. PEABODY. It is fixed by law in the way of freight. The commission determines what a reasonable rate is. If the rate between Chicago and Kansas City is a certain rate and a shipper does not like it, the shipper can take it to the commission, and they will determine what is a reasonable rate. There is no longer any competition in rates.

The CHAIRMAN. There is a competition for business?

Mr. PEABODY. Yes.

The CHAIRMAN. And there is competition for the mail business?

Mr. PEABODY. That same competition would exist then.

Mr. STEWART. And the competition would be offered the Government under the law. The restrictions of the law do not apply to the Government.

Mr. PEABODY. The Government has to-day troops to ship and munitions of war to ship; the Government offers them to the railroads and the railroads make a rate.

Mr. STEWART. I was asking whether your plan would give the advantage to the Government of a competitive rate between points?

Mr. PEABODY. Yes; if there was any competition in it.

Mr. STEWART. But you do not think they would compete?

Mr. PEABODY. I do not think there would be any. It would hardly be proper, under the arrangement. I want to make one remark concerning a point made by General Stewart this morning in regard to the difference between the mail compensation and other transportation compensation. He thought that because of the advantages in the way of charter privileges and power of condemnation, that the railroads ought to contribute a portion of their service to the public for nothing, or, in other words, to make a less rate on account of the mail than is made on freight. I see no reason why there is any difference of treatment due a railroad in that regard than there is to any other carrier. The department hires a wagon to do service just as it hires the railroads to perform service. They would not expect a wagon route to deduct anything on account of the peculiar service offered, and so far as the charter privileges are concerned. We might use, as an illustration, the International Harvester Co., which has a charter just as much as a railroad has a charter, and I doubt if the Government would consider that they were entitled to buy a harvesting machine any cheaper than anyone else.

Mr. LLOYD. They have no right of eminent domain?

Mr. PEABODY. So far as that is concerned, they have no more rights than a wagon. The wagon uses a highway that is provided in the same way.

Mr. LLOYD. That is done by the Government. It is not done by any corporation.

Mr. PEABODY. There is no advantage in the eminent domain so far as the railroad is concerned except that it furnishes to the Government and the people a through route?

Mr. LLOYD. That is something that is very necessary to give to a railroad, but it is giving to a railroad that which is not given to anyone else, and, having received that which no one else receives, it looks reasonable that they might be willing to give some compensation for it.

Mr. PEABODY. That is not to the advantage of the railroads generally. They pay for everything they get under the eminent domain.

Mr. LLOYD. Under the eminent domain you are required to pay for the property over which your roadbed is made the reasonable value of such property. You do not pay any more than the reasonable value?

Mr. PEABODY. Theoretically we do not.

Mr. LLOYD. Theoretically you do not pay a cent more than the property is really worth.

Mr. PEABODY. But actually we do. Further than that, the railroad does not own it, then. They simply have the easement; they can use it for that privilege, and when they do not use it for that it goes back to the original owner. They simply have the privilege of establishing a through route for the benefit of the people, and there is no compensation that should be allowed on that account.

Mr. PETERS. There was a decision from the Supreme Court of Pennsylvania on that question, which I previously thought was from the Supreme Court of the United States. There was a decision

from the United States Supreme Court in October, 1876, in the case of the Atchison, Topeka & Santa Fe against the United States. In that connection I will read a portion of an article from the New York Sun under date of April 14, 1913:

So recently as October, 1876, the Supreme Court of the United States, in Lake Superior & Mississippi Railroad Co. *v.* United States and Atchison, Topeka & Santa Fe Railroad Co. *v.* United States (U. S. Repts., Supreme Court, vol. 93, p. 442), held that the act of Congress providing that a railroad shall be "a public highway for the use of the Nation of the United States, free from all toll or other charge, for the transportation of any property or troops of the United States" decrees to the Government the free use of the road only, and not of the rolling stock or other personal property of the company.

Still later, October 2, 1883, it is declared, in a Pennsylvania case (Pierce *v.* Commonwealth, 104 Pa., 150, 155; 13 Am. and Eng. Cas., 74, 79, per Gordon, J., citing Presbyterian Society *v.* Auburn and Rochester Railroad Co., 3 Hill (N. Y.) 567), that—

"A railroad company is not public, nor does it stand in the place of the public; it is but a private corporation, over whose rails the public may travel if it chooses to ride in its cars.

COMPANY ITSELF PRIVATE.

"Indeed, we regard it as a misnomer to attach even the name 'quasi-public corporation' to a railroad company, for it has none of the features of such corporations, if we except its qualified right of eminent domain, and this is because of the right reserved in the public to use its way for travel and transportation. Its officers are not public officers, and its business transactions are as private as those of a banking house. Its road may be called a quasi-public highway, but the company itself is a private corporation, and nothing more."

Those decisions are based on the English law.

Mr. PEABODY. The first case you referred to was because of a land-grant road. That was the reason?

Mr. STEWART. Those cases express the condition I mentioned this morning in what I said on the subject—that in so far as the general public was concerned, with reference to the general business, their relations are exactly as stated in those opinions, but when they deal with governmental matters, carrying the mails, they become agencies of the Government, and you will find the opinions read very differently in that respect; they say the railroads are performing a governmental function and they are the agents of the Government, establishing an entirely different status than that which is named in those opinions.

Mr. PETERS. Yet the act of the Interstate Commerce Commission has held that there shall be no discrimination; that the passenger and freight traffic shall not make up the loss, if any there be, that occurs on account of handling the mail or any Government business.

Mr. SCOTT. Is not that based on the premises that the railroads first signed the contract? There is nothing in the law that requires the railroad companies to carry the mail; but if they do sign a contract to do so, then they become an instrument of the Government in carrying the mail.

Mr. STEWART. That was the opinion of the Supreme Court in the Santa Fe case recently decided, but in the opinion of the United States court for the district in which Minnesota is situated, a case involving the liability of the company for the loss of registered mail the road was carrying (Bankers' Mutual Casualty Co. *v.* Minneapolis, St. P. & S. S. M. Ry. Co., 117 Fed., 434), the court there

said that the railroad company was acting as agents of the Government, performing a governmental function, and, regardless of the contract made in signing the distance circular, that they were under a statutory contract, mentioning the statutes under which the department acts, so that the courts have really gone much further than the contract which was involved in the Santa Fe case.

Mr. BALDWIN. Mr. Chairman, Mr. Drake was here all the forenoon, and I think his intention was to ask you to incorporate into this hearing a memorandum of the hearings of the short-line roads.

The CHAIRMAN. Have you that with you?

Mr. BALDWIN. Yes, sir. Here is a copy. He has one copy brought down to date, which I will ask you to substitute for that, but that is what I think he would like to have incorporated into this hearing. There are tables in that which have been prepared with a good deal of care, and I would like to have that incorporated into the hearing to-day.

The CHAIRMAN. This pamphlet shows the difference between the short-line and the trunk-line roads, as I understand?

Mr. BALDWIN. It gives a large number of illustrations of the actual earnings and the actual space, in comparison with express, on various short-line roads. Mr. Drake has one under date of 1912 which embodies this same thing, and I will ask him to substitute it for that one, which is for the previous year?

The CHAIRMAN. This is brought down to date?

Mr. BALDWIN. Yes, sir; that is brought down to date.

The CHAIRMAN. That will be inserted in to-day's proceedings. (See addenda, p. 830, for pamphlet referred to.)

Mr. PEABODY. Just here, I would like to give a little information to correct a possible misapprehension and a possible impression which exists in regard to the proper rate of compensation for the pouch service. Three cents has been referred to here as the compensation that has been paid the electric lines. I took the opportunity just before coming to Washington to segregate our exclusive pouch mail routes, those that have nothing but pouch mail on them, checking the present compensation of those routes and applying it to the service performed on those routes, which is exclusively pouch service.

The CHAIRMAN. That is on the Atchison system?

Mr. PEABODY. On the Atchison system, and the present compensation is 4.386 cents per mile run for that service.

Mr. LLOYD. Then, in order to give you as much as you now receive, you would have to have 4.386 cents.

Mr. PEABODY. Yes; per train-mile for that service. That embraces every exclusive pouch route on our system.

The CHAIRMAN. Have you a statement there, Mr. Peabody, showing how you have worked out that conclusion as to the compensation?

Mr. PEABODY. I have just lead-pencil figures, but I will put it down accurately and send it to you.

(Under date of May 24, Mr. Peabody addressed a letter to the chairman, inclosing the statement referred to, which letter and statement read, respectively, as follows:)

CHICAGO, *May 24, 1913.*

MY DEAR MR. BOURNE: In accordance with my promise I am handing you herewith a statement giving the details of all of the exclusive closed-pouch routes operated on the Santa Fe, 38 in number. We have considerably many routes which embrace both apartment-car and closed-pouch service, but inasmuch as there is no way of dividing the total pay of the route between the closed-pouch and the other service we can not, of course, use the data in arriving at the present compensation paid for closed-pouch service.

You will notice that the total run of service on these closed-pouch routes aggregates 950,415 miles annually, the revenue for the service amounting to $41,680.24. This makes an average pay per mile run of 4.386 cents, which slightly varies from the figures I stated at the meeting, for the reason that some few routes were omitted in the computations I had with me in Washington, and which I apprehended was the case at that time.

Yours very truly,

JAS. PEABODY, *Statistician.*

*Statement of exclusive closed-pouch routes on Santa Fe system, showing miles run, revenue, and average revenue per mile run.*

| No. of routes. | Length of route (miles). | Total service (miles per year). | Annual mail pay. | No. of routes. | Length of route (miles). | Total service (miles per year). | Annual mail pay. |
|---|---|---|---|---|---|---|---|
| 150053 | 12.33 | 18,002 | $522.40 | 155108 | 37.36 | 23,387 | $1,601.41 |
| 150070 | 76.30 | 111,398 | 3,261.82 | 165027 | 93.88 | 58,769 | 4,013.37 |
| 150104 | 27.71 | 17,346 | 1,183.32 | 167001 | 18.85 | 55,042 | 1,659.93 |
| 150108 | 43.74 | 27,381 | 1,869.88 | 167008 | 12.86 | 8,050 | 548.48 |
| 150109 | 18.60 | 13,578 | 790.02 | 167010 | 27.42 | 34,329 | 1,217.31 |
| 150116 | 10.20 | 7,446 | 470.93 | 167013 | 18.67 | 11,687 | 803.70 |
| 150117 | 9.60 | 6,009 | 450.18 | 167017 | 5.83 | 3,649 | 274.88 |
| 150160 | 17.39 | 10,886 | 762.66 | 168009 | 22.62 | 14,160 | 967.00 |
| 153021 | 10.14 | 29,609 | 462.16 | 168016 | 64.34 | 93,936 | 2,747.97 |
| 153031 | 15.90 | 19,907 | 966.86 | 176013 | 26.20 | 16,401 | 1,047.92 |
| 155005 | 16.84 | 35,128 | 950.28 | 176025 | 5.86 | 4,278 | 250.21 |
| 155034 | 34.70 | 21,121 | 1,661.43 | 176038 | 17.80 | 11,143 | 826.78 |
| 155055 | 20.57 | 25,753 | 881.93 | 176050 | 28.55 | 20,841 | 1,222.65 |
| 155065 | 26.33 | 16,482 | 125.60 | 176057 | 21.00 | 28,474 | 1,339.54 |
| 155066 | 12.02 | 7,524 | 515.56 | 176085 | 29.35 | 21,425 | 1,455.46 |
| 155072 | 25.67 | 32,137 | 1,097.39 | 176086 | 10.87 | 31,740 | 464.69 |
| 155101 | 16.40 | 11,972 | 685.71 | 176092 | 2.12 | 5,308 | 90.63 |
| 155103 | 23.39 | 14,642 | 999.92 | 176119 | 6.95 | 15,220 | 297.31 |
| 155104 | 23.85 | 29,860 | 976.83 | 176132 | 26.84 | 36,395 | 1,216.12 |
| | | 456,181 | 19,634.88 | | | 494,234 | 22,045.36 |

| | |
|---|---|
| Total miles run | 950,415 |
| Total revenue | $41,680.29 |
| Average revenue per mile run.....cents.. | 4.386 |

Mr. PETERS. I notice Mr. McBride's calculations were based on the one unit of the 60-foot car, half car, quarter car, the half car being one-half rate and the one-quarter car being the one-quarter rate of what I would assume was the full rate for the whole car, but it seems to me that the principle of wholesale and retail should apply in fixing rates for the smaller units, that your 15-foot car ought not be just one-fourth of the rate for the 60-foot car, but should be a little bit higher.

Mr. LLOYD. Say, 25 cents, 15, and 10?

Mr. PETERS. 25, 18, and 10, something like that, or 25, 15, and 8.

The CHAIRMAN. On the wholesale and retail principle, you can buy cheaper at wholesale than retail, can you not?

Mr. PETERS. It is the principle applied on the railroads on carloads and less than carloads of freight, and your larger unit for the 60-foot car, the concentrated load, is supposed to be handled more economically than the smaller unit.

The CHAIRMAN. In that connection, that is very interesting and illuminating. Now, would you state specifically your accurate reasons why, in your opinion, the compensation rate should be higher per foot basis on the 15 than on the 30 foot car, and higher on the 30-foot than on the 60-foot car?

Mr. PETERS. Well, you have to haul the whole car. We do not have a car 15 feet long, but we have a combination car; so, the 15-foot apartment would be one part of a triple combination car with a section of 15 feet for mail, 15 feet for baggage, and 30 feet for passengers.

The CHAIRMAN. But you get your compensation, or presumably so, for that part of the car used for passengers and that part of the car used for baggage; so, why should the Government pay an additional compensation for the 15 feet they use?

Mr. PETERS. That is a special equipment, more expensive, and has to be kept for this special service, and you can not get the mileage out of that car in general service that you would otherwise if it was not kept for that particular purpose of handling the mail.

Mr. PEABODY. Furthermore, supplementing Mr. Peters's remarks, it usually occurs that on a route when 15 feet is called for by the department or 20 feet is called for by the department, that the balance of the car is not available for the service of baggage and express; so that, in effect, we would be obliged to haul a 60-foot car, simply providing space for the mail to the extent of 15 or 30 feet, as the case might be, and still put other cars in the train to carry the baggage and the express.

Mr. PETERS. I had that same proposition present itself last February, to put on mail cars out of the Pennsylvania station for starting the service out of the new post office. That meant, if we ran our combined cars out of the Pennsylvania station, we would still have to have a 60-foot car on every one of our trains to take our express and baggage.

The CHAIRMAN. I assume your contention is that the general business would not correlate with the mail increase, so that you would be able to get some payment in the utilization of the car.

Mr. PETERS. No; it is requiring special equipment for that purpose, and therefore the smaller unit car is more difficult to keep regularly occupied and get more mileage out of it than the larger car, especially those used sometimes for storage.

Mr. SAFFORD. That condition obtains largely in the South, where we have to have separate cars for the races. It is frequently the case that putting a mail apartment car in a train involves the hauling of a full car. We have our equipment arranged to carry a combination car, and that car takes care of the baggage and the colored people. Consequently it involves a 50 or 60 foot car in the train.

Mr. MACK. With a 30-foot car that is quite a common occurrence.

Mr. ROWAN. It occurs frequently on our line that we have to put on a whole car, especially in the suburban territory. Under the full-crew bill, if we handle baggage we have to have a baggage-master, and on lots of local trains we might run a train a whole week and not take a single piece of baggage, and we could not possibly use the baggage end. In our suburban territory we only handle baggage on designated trains, and on those trains we have a baggage-master; so

that when the Post Office Department, as they do to-day, asks for a 30-foot apartment car, we are forced to put on an apartment car with the baggage end vacant, not used for any purpose at all.

The CHAIRMAN. How much time do you ordinarily have, under notification from the Post Office Department, as to additional cars, in hours?

Mr. ROWAN. We usually have a week or 10 days' time.

The CHAIRMAN. How about the storage car?

Mr. ROWAN. Sometimes they have 15 or 20 minutes before the train goes out.

The CHAIRMAN. That is all?

Mr. ROWAN. Yes, sir.

The CHAIRMAN. You would not have an opportunity to drum up additional outside business in order to fill that car?

Mr. ROWAN. No, sir.

Mr. PETERS. I think in the statement that Mr. Wade presented of the case on the Erie Railroad, he showed where they had to run extra cars on nearly every train where they were running apartment cars because the baggage end was not sufficient to take cars of the extra baggage, while the 28-foot apartment car took care of the mail. This is bearing on the point I raised awhile ago as to the higher rate on the smaller apartment than on the full car.

The CHAIRMAN. Now, is it the opinion of you gentlemen representing the railroads of the country that you have been given every opportunity of appearing before the committee to present your views?

Mr. PETERS. We do feel so, and we appreciate your consideration, kindness, and patience.

The CHAIRMAN. Do you think you will require any further time in order to present any additional viewpoints that may develop, based on the hearings that have been held, and other viewpoints that have been presented by departmental representatives or Mr. Lorenz, of the Interstate Commerce Commission?

Mr. PETERS. We would like very much to file a statement giving our brief criticism generally of the testimony that has been presented and of the arguments of the railroads; just a brief conclusion or summing up. (For brief referred to see addenda, pp. 720–736.)

Mr. LLOYD. Mr. Chairman, we have plenty of time, and if it is not objectionable at this point to give Mr. Lewis 15 minutes, I would suggest that we do so and let him make his statement now.

Mr. PETERS. Before Mr. Lewis proceeds, would it be possible to put in the record to-day those figures which Mr. McBride submitted in order that we will have them to study? It is already understood that they are purely tentative.

The CHAIRMAN. They will go into the record before it is printed, just as soon as the department can furnish them. It may be two weeks, however, before you will receive your copies. (See p. 679 for letter of Second Assistant Postmaster General containing statement referred to.)

Mr. PETERS. We will send you, in about two weeks, a brief.

## STATEMENT OF MR. DAVID J. LEWIS.

Mr. LEWIS. Mr. Chairman, my name is David J. Lewis, a Member of Congress from Maryland. At the outset I desire to thank you very much for the opportunity of appearing before you, especially since the representatives of the railroads are here and are informed as to conditions. In dealing with this subject I think it altogether better that the committee should consider my suggestion in the presence of the railroad men present, and they, too, can judge whether it has any merit.

Mr. Chairman, I shall not go into the merits of the rate of postal pay to railroads at this time beyond a brief description of existing conditions. Nobody seems to be satisfied with the present amount or method of railroad payment, and this is necessarily true, perhaps, not so much because the railroads are overpaid or underpaid in the aggregate as, unfortunately, because there exists no formula or standard for determining just what is the right rate of compensation. It is not a difficulty peculiar to postal railroad rates, but results from the circumstance, common to all railroad rates, namely, that the expenses of a particular service can not be allocated to such service with enough precision to determine its real cost. Under these circumstances conflict of opinion is unavoidable, and only general comparisons can be employed.

### RATE OF PARCEL RAILWAY PAY.

Mr. Chairman, in the 10 countries reporting express statistics the ratio of the express to the freight charge has been shown to be about five (5.23) to one; and in these countries the railroad performs the whole, and not merely the locomotive part of the service, excepting the service of "pick-up" and delivery. In the United States the railroads receive as a whole, for the locomotive act alone, nearly eight (7.80) times their charge for the average freight shipment; or, stated in the concrete, the railroad receives $1.90 and $14.82 for the average ton of freight and express matter, respectively. In the other 10 countries the like average charges are, by freight, per ton, $0.87, and by express, $4.37. In the absence of a satisfactory costs standard, these comparisons indicate that our railways receive nearly twice what they should for their part of the express service. But domestic conditions may differ enough to measurably impair this reasoning. However, the census of 1890 shows the express traffic to have been 1,646,273 tons, while that of 1909 was 4,248,355 tons, with railroad pay of $19,327,280 and $64,032,126, respectively, representing an increase in the rate of express railroad pay of 26 per cent. During the same period the average freight charge declined about 5 per cent per ton-journey and the passenger rate per mile declined 6 per cent. Meanwhile the freight traffic increased in volume 32 per cent more than the express traffic and the passenger mileage quite as much, clearly indicating the inhibitory effect of increased rates upon the potential traffic, an effect as unfavorable to gross railroad revenues as to express commerce.

On the assumption of a 200-mile haul, the freight haul being over 250 miles, the railroads received for hauling express matter in 1890 about 6 (5.87) cents per ton-mile, and 7 cents for the same service in

1909. The Interstate Commerce Commission has ordered reductions in express rates which the express companies say equal 25.6 per cent, but which the commission estimates at 17.5 per cent. Taking the commission's estimate as correct, the effect on the amount paid the railroads by the express companies (47.53 per cent of express revenues), the railroad ton-mile pay, would be to reduce it from 7 cents to 5.77 cents, or about the rate paid them in 1890. The diversion of the very small shipment to the parcel post will likely further reduce the express railway ton-mile rate to 5 cents.

Mr. Chairman, the joint effect of these comparisons would suggest that waiting the time when cost principles can be satisfactorily applied to determining the amount of postal-railroad pay, a rate of 5 cents a ton-mile for postal express matter, excluding the weight of equipment, would not be unjust to the railroads; as an aggregate payment, while such a rate in connection with postal-service economies would permit the making of postal-express rates with effective concessions to the mobility of the potential traffic, and save three-fourths of it, now penalized out of transportation commerce by prohibitive express tariffs. It may be confidently asserted that the railroad would not suffer by such a rate of pay, for it would convert from five to fifteen millions of tons of relatively lower-priced freight traffic into the highest-paying railroad freight, with little added cost of plant or locomotion for the railway.

### METHOD OF PARCEL-RAILWAY PAY.

Mr. Chairman, the ton-mile standard is the ideal one for Government purposes. Its parcels rates are all predicated on weight and distance, and if it is desired to know how much to load such rates to pay the railways for their service, such service must be measured in terms of weight and distance. If this standard should be replaced by a car-space standard alone, it would require years to learn the convertible proportions of the parcels weights, ratios with car-space values. Meanwhile, the loading for railroad pay would be either too high or too low, with attendant effect disastrous to either the potential traffic or the Treasury.

But this weight-distance standard, so ideal for the Government, is not quite so ideal for the railways. If paid only by the weight and distance carried, the railroad company having a line of full-car traffic would receive two or three times the compensation for moving its car a mile as would the small railroad company moving a car one-half or one-third full. And yet it is obvious that the expensiveness of the service for both railroads would be substantially the same. What a railroad company does in the mail, express, or passenger service is to move the car—and whether it is empty or partly empty or loaded barely affects the expense of movement. We have thus two contradictory interests here in the matter of standards or units for measuring the service. What is absolutely essential to the Government in its rate making, the weight-distance unit of pay, would mulct the small railroads with one-half or one-third pay; while the car-mile standard, the measure of costliness of railway service, would be quite impracticable for parcel rate-loading purposes.

Now, Mr. Chairman, with all modesty on a subject so inherently difficult, I make this suggestion as a solution: Let us apply both

standards—the ton-mile unit to make certain the amount the Government shall pay the railroads for parcels so it can intelligently load its rates for parcel service to the public, and the car-foot-mile unit to secure a just relative distribution of the fund thus derived among the railroads, according to the amount of car-foot mileage service rendered by each.

The details of this proposal, briefly, are these:

(*a*) The postal department would make notations of the weight and zone findings for each parcel, which occur in determining the rates to be charged the shipper. The gross weights of such parcels in each zone, when multiplied by the average mile journey of the respective zones, would by a simple computation give the total ton-mileage of parcel matter receiving railroad transportation. Let this ton-mileage be multiplied by the rate to be paid per ton-mile, say 5 cents, and the gross sum due the railroads as a whole is obtained.

(*b*) The gross sum thus payable the railroads would then be divided by the total number of car-foot miles of car movement performed, which would give the common car-foot rate payable, when each railroad company would be paid this rate for the car-foot mileage service performed by it under orders from the postal department.

Now, the postal car mileage is a matter of easy ascertainment and record for any railroad, while the weight-distance parcels statistics can be almost automatically recorded during the act of weighing by pencil notations, as now, upon blanks having distinct columns for the several zones. These latter data are necessary in postal administration for other important purposes and can be obtained with practically no expense. I am informed that the Auditor of the Post Office, Mr. Kram, has perfected an invention by which these weight and zone notations can be carded by the local postmaster and thus be totaled by machine.

### LETTER RAILROAD PAY.

It is obvious that more than one rate of pay will be necessary to fit the widely different services rendered by the railroads in the carriage of letters as distinguished from express matter. No single rate could be just to both kinds of traffic. Stated in terms of ton-miles, the letter mail would tend to consume much greater car space and command greater speed than the like weight of express matter. And since there is no known or probably constant ratio between future postal express and mail weights, anyone who suggests but one rate of railroad pay for these differing services must have neglected to give sufficient time to the subject to fully appreciate the conditions of the problem.

Now, Mr. Chairman, it is suggested that for the carriage of the ordinary mails—that is, other than express matter—the same methods might be employed, with a change in the amount of the rate, and in two or three of the incidents, to meet the circumstances that the weight-distance journey of each letter and paper could not be economically ascertained, and that the rate of railroad pay ought to be higher for such matter. The total weight of the railroad-moving mails, including equipment, was ascertained to be 887,278 tons for 1908. Postal receipts increased 28.34 per cent in 1912 over 1908.

This would indicate the total weight of mail and equipment for 1912 to be 1,138,692 tons, which divided into the gross railroad pay for 1912 gives a rate of $43.65 per ton, or on the experience of the average mail journey in 1908, 8 (8.12) cents a ton-mile. Assuming this rate to be continued (I do not here discuss its justice), all ordinary or first, second, and third class railway-going mail, during the weighing period, would be pouched in bags by itself and weighed at the post office before going to the railroads. These weights totaled into tons for the entire country would give the gross amount of railway service rendered the ordinary mail, and multiplied by the ton rate, say $43.65 per ton, as now, would give the total fund payable to the railroads for this branch of the service. This fund should be then distributed among the railroads according to the car-foot mile basis employed for the payment of parcel transportation.

We should thus have a rate of 5 cents a ton-mile for postal express matter, excluding the weight of equipment, and of 8 cents a ton-mile for the other mails, equipment weight included. These bases of compensation and methods of distribution having been legislatively established, I should provide that either the Postmaster General or the railroads should have access to the Interstate Commerce Commission to make any changes necessary to move the potential traffic, or to meet future contingencies in railroad operating costs. In consideration of the lowered rate proposed for parcel-post railway pay the burden of delivering the mails from the depot to the post office should be shifted from the railway to the local postmaster.

Mr. Chairman, the plan as a whole would have signal advantages for all the interests concerned. For the Government it would save the special expense of the weighings and provide it with simple standards for determining its obligations to the railroads. For the shipping public, through reduced postal express rates, it would provide a means by which the potential traffic in life's necessaries could be moved direct from producer to consumer, or otherwise, and lower our aggravated price levels. And for the railroads it offers the great advantages of distributing postal transportation compensation equitably between them, of paying them for the actual weights carried rather than the out-dated weighings, while assuredly doubling and probably quadrupling the volume of their highest-priced traffic.

Mr. Chairman, this problem must be settled, and should be considered with a view to the interests of all concerned. I submit the plan just outlined as an earnest proposal to reconcile all the interests involved.

The CHAIRMAN. Do any of you gentlemen desire to ask Mr. Lewis any questions? Do you, Mr. Peters?

Mr. PETERS. I would like to read Mr. Lewis's statement first before asking any questions. I do not think I could ask any questions now.

Mr. BRADLEY. I would like to ask a question. The Congressman spoke of the rate now paid to the railroads as $43.65 per ton.

Mr. LEWIS. I spoke from recollection.

Mr. BRADLEY. Well, I am assuming that that is it. The department's estimate of the average haul of all mail matter, as I understand it, is 620 miles.

Mr. LEWIS. I do not know that that includes equipment as well as mail.

Mr. BRADLEY. I believe it does. I think very little distinction is made, and dividing 620 into $43.65 would give about 7 cents a ton-

mile, and as you had mentioned 8 cents a mile I wondered if there was any distinction in your mind as to the basic fact.

Mr. LEWIS. Eight and twelve-hundredths is my deduction, and it was reached in this way: In 1908 the department weighed every piece of mail and determined its distance of journey. That study showed a given number of ton-miles of service for equipment and mail. I added to that datum the increased ton-mileage up to 1912, as determined by the increase of postal revenues. That was my lead. That produced a result of 8.12 per ton-mile. I have not divided 620 into $43.65, to determine the per ton-mile rate that datum would produce. My feeling was that there was a difference between the mail haul of 620 and the equipment haul, which was slightly less.

Mr. BRADLEY. I would only like to suggest that in that test of 1907, with which I am quite familiar, there were a number of doubtful points that need to be gone over by experts before one could even reach a fair approximation of the true averages. Taking the question of mail-bag equipment, which is practially the envelope of the mail, the assumed estimate of the department was an average haul of 411 miles, but I think on close examination that would be very much reduced.

Mr. LEWIS. I was looking over Prof. Adams's postal ton-mile tables up to 1898, and carrying them forward on the increased revenue basis, after allowing for the change in the divisor, there was a very slight difference between the 8.12 figures and what his figures would have produced.

Mr. PEABODY. I would like to ask Mr. Lewis if I understand him correctly in saying that the fund to be arrived at for the railway pay was arrived at by a common rate per ton-mile, or was it arrived at by a double rate per ton-mile, one for the letters and one for the parcels?

Mr. LEWIS. You would have two funds, one derived from the letters at an absolute per ton rate, say, $43.65 per ton of ordinary mail, and the other derived from the parcels, whose rates should be loaded for railway pay at, say, 5 cents a ton-mile.

Mr. PEABODY. Then the division would be made and the application of the car space would be made in one case to the fund ascertained on the ton basis, and in the other to the fund ascertained on the ton-mile basis.

Mr. LEWIS. My idea was that it would relieve the particularly aggrieved condition that the very small road finds itself in without any car-space pay and with very small loads to carry, and moreover would give the Government what seems to me it will absolutely need, a precise standard for its loading of parcel rates, and such loadings for railway pay parcels are going to be 80 per cent of the loading, if the rate is made with any view to the cost of the service. I notice the parcel traffic now runs about 450 miles; that is, its journey, and it is easy to see that on an average journey like that the rate is going to be composed mainly for paying the railroads for the service.

Mr. BRADLEY. Is it your idea the parcel post should be self-sustaining?

Mr. LEWIS. Most assuredly so; yes, sir.

The CHAIRMAN. Mr. Lewis, we thank you very much for your views.

## STATEMENT OF MR. WALTER S. BASKERVILLE.

The CHAIRMAN. Mr. Baskerville, will you kindly state your full name, residence, and the official capacity, if any, in which you appear before the commission.

Mr. BASKERVILLE. Walter S. Baskerville, St. Paul, Minn. I am agent of mail traffic of the Great Northern Railway.

The CHAIRMAN. How long have you been in that position?

Mr. BASKERVILLE. Four years.

The CHAIRMAN. You have a statement, which you have prepared, especially in reference to the Great Northern?

Mr. BASKERVILLE. I have sir.

The CHAIRMAN. We will be glad to hear it.

Mr. BASKERVILLE. In the preparation of Document No. 105 the fast mail trains of the country were treated as ordinary service, in which the mails were to bear only a percentage of the cost of all service, based on car-foot miles of space furnished.

The Great Northern fast mail was established in September, 1909, for the purpose of expediting the delivery of the mails at Pacific coast terminals. It reduced the time in transit from New York to Seattle from four and one-half to three and one-half days; from Chicago to Seattle from three and one-half to two and one-half days; and from St. Paul to Seattle from three to two days.

The time from St. Paul to Seattle is 47 hours and 33 minutes—39 miles per hour, the first 1,072 miles of which—east of the mountains—is made at an average speed of 44.66 miles per hour, and this on a single-track road.

This train is superior to and has the right of track over all other trains, and is, therefore, the most expensive train operated by this company. The rules governing the movement of this train are "special," and provide for an absolutely clear track. Trains moving in the same direction must be clear at the time this train is due to leave the next station in the rear, and opposing trains must clear 5 to 10 minutes. That it is more expensive of operation than any other train run by this company is a fact, yet how much more it would be difficult if not impossible to determine; but that the free movement of trains under the regular rules is seriously interfered with is a fact patent to all connected with the operating department. The high rate of speed at which this train is operated also tends to make its operation more expensive, due to the unusual strain on equipment and roadbed. Yet in showing the cost of this service I have in the following statement used only the average cost of all passenger-train mileage.

With the inauguration of this service express matter for competitive points was carried on this train, which amounted to approximately 20 per cent of the earnings of this train, and should bear that proportion of the expense.

Document No. 105 assigns $1,049,938.59 of the operating expenses of the Great Northern Railway for November, 1909, to passenger-train service.

The passenger-train mileage of the company in that month was 889,842 miles, and on this basis the actual cost per train-mile was $1.17991.

The fast mail and its return in November, 1909, made 111,240 miles, which, at $1.17991 per train-mile, would amount to $131,253 for

November. Deducting 20 per cent as chargeable to express leaves a balance of $105,002 as the cost of carrying the mail for the month of November, or $1,260,024 for the year, that is, the operating cost.

No allowance was made in this estimate for return upon capital invested. The physical valuation of the Great Northern Railway, as made by the master in the Minnesota Rate Case, was $470,264,331, and the mails should certainly pay their proportion of a fair return upon this investment.

The mail revenues for the month of November were 2 per cent of the gross operating revenues and should have yielded the company $46,000 for that month at 6 per cent upon the capital invested, in addition to the cost of the service, or at the rate of $552,000 per annum. Adding a fair share of this capital cost to the operating cost of this train upon the basis of a proportion of mail-car foot miles on this train to the total mail-car foot miles (12/43 of $552,000, or $154,000) makes the cost of operation of that train $1,414,000 annually.

The total mail pay for the Great Northern system for that year was $1,458,000, or just about the actual cost of running the fast mail train, calculated upon this basis.

The fast mail furnished about 12,000,000 car-foot miles of the space credited to this company by Document No. 105, which, at the cost shown by Document No. 105, $0.003254 per car-foot mile would only earn $468,576 per annum. This would be less than one-third of the cost of the operation of this train as shown by Document No. 105, not including anything for capital cost.

Owing to the long run and high speed of this train there is great concentration of weight of mail, as an inducement for us to run it, and the space basis of payment would so reduce our pay and render it so unprofitable that no company can afford to continue it. As before stated, we are not now paid its actual cost on the basis of Document No. 105. Any space basis upon any plan I have heard suggested would give us still less.

This company is opposed to the present method of side and terminal-messenger service. That is no part of railroad transportation. There is a total of 840 stations at which mails are exchanged on the Great Northern Railway. The Post Office Department furnishes mail-messenger service at 135 of these stations, the railway company performing messenger service at 705 stations.

The cost reported in Document No. 105 by the railway company for side and terminal service was $1,800 for the month of November, 1909, or an average of $2.52 per station. The company objects to the performance of this service because at many of its stations there is not sufficient business to justify the employment of more than one man and the time of this man is occupied in selling tickets and checking baggage under State regulations and laws just at the time when the mail must be handled between the post office and the station.

Much of this side service could be performed by the postmaster in one-half the time that it takes the agent, in view of the fact that the agent must make two round trips from the station to the post office—one in going to the post office for the pouch and returning with it to the station, and another taking the pouch to the post office after the departure of the train and returning to the station—where

the postmaster would only have to take the pouch to the station and return to his office after the departure of the train.

This company does not admit the accuracy of Document No. 105. It claims that the assignment of expense made by the company was correct, and that the space it reported was correct, and that this service was furnished the Post Office Department and should be paid for.

The CHAIRMAN. Do I understand you would be better off in net earnings if you discontinued carrying the mail on that train?

Mr. BASKERVILLE. Yes, sir.

The CHAIRMAN. Have you given consideration to the suggestion of Mr. Lloyd about taking the four units and adopting them? How does that appeal to you?

Mr. BASKERVILLE. That would work out with us under proper regulations and rates in territory where there is frequency of service, but where there is infrequency of service—as on our main line between Fargo and Spokane—it would not justify us in continuing our fast service; it would reduce our pay from the present pay, which we claim is too small.

The CHAIRMAN. Was the fast service which was put on by the Great Northern at the request of the department or was it on the initiation of the officers themselves?

Mr. BASKERVILLE. It is voluntary service put on with the hope of building up business that would justify its continuance, if there was no change in the basis of pay.

The CHAIRMAN. The service is necessarily much more expensive than the ordinary service?

Mr. BASKERVILLE. It is.

The CHAIRMAN. If put on entirely at the initiation of the railroad's representatives themselves, should the Government, in your judgment, be forced to pay the extra cost because of the railroad voluntarily increasing the expense, although it does increase the efficiency of the service?

Mr. BASKERVILLE. We think the department should pay for efficiency whether it is voluntary or whether it was requested. They have requested it from a number of roads, and it was furnished, and they reimbursed the roads in the way of tonnage.

The CHAIRMAN. Is not this true, that it is put on for the purpose of establishing through competition, if you please, a more efficient service than that which other roads perform which reach the same territory that you do? Is not that the purpose, of getting the advantage over your competitors in order to secure the traffic?

Mr. BASKERVILLE. I assume so.

The CHAIRMAN. Because there is an asset, intangible if you please, in the carriage of mails.

Mr. BASKERVILLE. We do not think so. We did think the weight would eventually justify the additional expense. We knew when we put the train on it was not a profitable train.

Mr. BRADLEY. This thought occurs to me: Suppose the basis of railway mail pay was 25 cents a car-mile at the time that you contemplated establishing that fast train. Would it have been established?

Mr. BASKERVILLE. I can not answer that, Mr. Bradley. That had never been contemplated. We simply worked on the weight basis.

The CHAIRMAN. Mr. Bradley, in that connection will you answer your own question, not for the Great Northern, but if you were similarly placed? I assume you wish to draw out a certain thought?

Mr. BRADLEY. The illustration presented by Mr. Baskerville brought out a thought that if the car-space rule were ever adopted it might possibly not meet the condition presented by special mail trains and that perhaps the law would have to include a rate for the special mail trains in addition to a rate per car-mile, or for a fraction of a car.

Mr. BASKERVILLE. Answering your question this way, knowing now what the fast mail has developed, one working car west of Fargo or Devils Lake, making it a three-car train for mail purposes would only pay us 75 cents a mile for this service for mail purpose.

Mr. BRADLEY. Then, under those circumstances, I doubt whether you would have ever established the train?

Mr. BASKERVILLE. We never would if we had known in advance what it would do, but we had estimated the ordinary increase in the mail and we felt we were getting a little more than the ordinary increase in the northwestern territory, because the increase has been more rapid there than in the balance of the country.

Mr. STEWART. What did you have in mind specially that you did not get by the establishment of this special train, in weight? In other words, haven't you gotten practically all that you had in mind that you could get when you offered the train?

Mr. BASKERVILLE. Not when I figured on the train, but that is not your fault at all. I am not criticizing or reflecting on the department, but I had other things in mind when the train was established that did not work out. The weights would have eventually paid us better than they do now. The weights now are fully 50 per cent more than they were three years ago.

The CHAIRMAN. In that connection, should the Government pay for your miscalculations or the failure to work out the deductions that you drew from certain premises?

Mr. BASKERVILLE. We are giving the service; the people are getting the service, and the Government is their agent. We think we ought to be paid for that service, and if we are willing to wait for the increase, we do not think snap judgment should be taken and wipe it out.

Mr. STEWART. We do not want to lose this train, but you have been operating it for some time and you know about what you are getting out of it and what is due to be gotten out of it for the future, but you are not taking any steps toward discontinuing it?

Mr. BASKERVILLE. Now?

Mr. STEWART. Yes.

Mr. BASKERVILLE. Oh, no.

Mr. STEWART. How much more increase would make your train a paying train?

Mr. BASKERVILLE. I have never figured that out. No man wants to operate his business at prime cost.

Mr. LLOYD. Is not this true, that that fast train is the best advertised train that has been operated by the Great Northern road?

Mr. BASKERVILLE. I could not tell you that.

Mr. LLOYD. I have never been on the Great Northern road in my life, but I have heard of that mail train time and time again.

Mr. BASKERVILLE. Naturally you would hear of a train that would reduce the time of mail in transit or delivery 24 hours.

Mr. LLOYD. That is right, and that is a splendid advertisement for the road.

Mr. BRADLEY. The possibility of weight accumulation is what stimulated your enterprise to put on that train?

Mr. BASKERVILLE. Yes.

Mr. STEWART. According to your statement, you have not realized out of this fast train what you expected to in compensation and you do not see the immediate prospect in the future of doing so, but you say that you have no intention of taking the train off?

Mr. BASKERVILLE. Not at this time; no sir.

Mr. STEWART. Therefore there must be some consideration to the company besides the mail pay which induces you to continue that train. I should like to know what that is.

Mr. BASKERVILLE. What do you mean by that, that we are hauling something else?

Mr. STEWART. No; I mean this, to come right to the point: That the mail service to a railroad company means something more than the amount of money which the Post Office Department is able to pay you for the specific service. Does not your experience with this train fully demonstrate that, and how can you avoid the conclusion that that is true; you are maintaining that train; you intend to maintain that train, and we are very glad that you are; we get the benefit of it, and your road certainly gets a very material benefit, and the country you serve and the people who patronize your road get an advantage. Now, isn't it true there is a consideration in the operation of the mail service which goes far beyond the mere money consideration which you get from the department?

Mr. BASKERVILLE. I consider the carrying of the mails on the same basis as any other commerce.

Mr. STEWART. But you would not run a passenger train at a loss?

Mr. BASKERVILLE. We do run passenger trains, Mr. Stewart, and continue them for years at less than they actually produce.

Mr. STEWART. You make it up on freight?

Mr. BASKERVILLE. I do not know how it is made up. That is up to the management. I do know that you can take the earning sheets which show passenger earnings each month of the various passenger trains, and there are trains that never pay.

Mr. STEWART. Well, there is this additional consideration, then, that you take account of both in your passenger and mail trains. It must be something material and substantial or you would not continue it?

Mr. BASKERVILLE. Passenger trains are frequently continued because the conditions require them. We owe a certain duty to the public that we have to perform.

Mr. STEWART. Do you not owe the same duty to the Government and the people in connection with the mail service?

Mr. BASKERVILLE. We would in the ordinary train service.

Mr. MACK. Is it not true that the train was put on and is being continued in anticipation of its developing into a paying proposition?

Mr. BASKERVILLE. I so stated.

Mr. MACK. And put on and maintained strictly on that basis without regard to any other outside factor?

Mr. BASKERVILLE. It was.

Mr. STEWART. But Mr. Baskerville is not going to take it off now when he knows it is not going to develop into that kind of a train.

Mr. BASKERVILLE. I do not know that it will not develop into that kind of a train. I have every reason to believe it will develop into a paying train.

Mr. STEWART. Then, your loss is not very great?

Mr. BASKERVILLE. Fifty per cent in weight would make considerable difference in compensation.

The CHAIRMAN. Is not the initiatory influence in transportation in a sparsely settled country an additional attractiveness to bring people to that country, develop it, and furnish the business?

Mr. BASKERVILLE. That would not be so with this special train, Senator. That is so with the ordinary passenger service, but not with this special train. The country between Spokane, Wash., and Fargo, N. Dak., is very sparsely settled, and there is no necessity for such service as this, but when you get to Spokane and beyond you get in the great coast country and it brings those people a day nearer to the eastern markets.

The CHAIRMAN. It would be to your disadvantage materially for the service from New York to Seattle to be a day longer than from New York to Portland?

Mr. BASKERVILLE. Yes, sir; it would.

The CHAIRMAN. So you are, as one of the largest producers and largest factors from a money standpoint in that section of the country, vitally interested in your terminals having equal facilities with your competitors?

Mr. BASKERVILLE. Yes, sir; but the terminal competitor you mentioned did not have any such facilities until we put the train on.

The CHAIRMAN. Then, you will have the advantage from blazing the trail?

Mr. BASKERVILLE. Yes, sir.

The CHAIRMAN. But you do not receive any compensation for it, from your standpoint?

Mr. BASKERVILLE. No, sir.

The CHAIRMAN. That is the result of progress and development?

Mr. BASKERVILLE. Yes.

The CHAIRMAN. Could you give us the benefit of your experience as to what factors we should take into consideration upon which we should reach a conclusion in making a report to Congress, which we are instructed to make, in reference to this problem of railway-mail pay?

Mr. BASKERVILLE. That is a pretty hard question to answer, sir.

The CHAIRMAN. We find it so.

Mr. BASKERVILLE. I suppose you gentlemen are in better position to answer that than I would be, because you have attended all of these hearings and know everything that has been brought out.

The CHAIRMAN. You would not have any suggestions?

Mr. BASKERVILLE. I have not any suggestions, but I think the weight basis is the proper basis.

The CHAIRMAN. You think the present system, with the removal of what, from your viewpoint, you consider injustices, is the only way of solving the problem?

Mr. BASKERVILLE. Yes.

The CHAIRMAN. That is, that you get compensation for the side service or be relieved from it?

Mr. BASKERVILLE. We would like to be relieved from the side service. We would like to have annual weighings or take them at the end of four years and make a settlement at the end of four years.

The CHAIRMAN. Have you formed any estimate of the additional cost to you for the side service you perform?

Mr. BASKERVILLE. We put it at about $20,000 a year for side service.

The CHAIRMAN. And you claim the side service is no part of transportation?

Mr. BASKERVILLE. No, sir; and it is the annoyance of the side service we want to get rid of. At some places we have only one agent, and he must be in the station or go to the post office, and he can not do both things together.

The CHAIRMAN. Suppose you receive compensation from the Government to perform the side service just as you do now. Would that be an irritation to the railroad companies?

Mr. BASKERVILLE. The irritation exists, Senator, wherever we have only one man employed and can not justify the employment of more than one man.

The CHAIRMAN. What do you do under that circumstance?

Mr. BASKERVILLE. The agent has to violate the law and leave his station and go to the post office. Where a post office is within but a few hundred feet of the station, the postmaster would not agree to give him the mail more than 10 or 15 minutes before the train is due, and the department will sustain the postmasters in it, to keep the office open to the last possible hour, and the agent must go after the mail at the hour they designate. Another feature is the night service, where they claim we have agents where we have no night agent and no necessity for a night agent. There may be a little station out in the country with a store or two around, but most of the people live away and they do not take the night train, yet we must handle mails at night and we have to keep a man there.

The CHAIRMAN. Do you not have to keep a telegrapher there?

Mr. BASKERVILLE. No, sir; at a number of these stations we do not have telegraph offices.

The CHAIRMAN. How do you get into communication in the case of an accident? Do you go to the nearest telegraph or telephone office?

Mr. BASKERVILLE. Yes, sir. We have no agent on duty, and yet the department requires that we handle the mail because we handle it in the daytime. Why would not the same rule apply to the post offices? They have postmasters in the daytime, but none at night. The business of the railroad company can be handled in hours of service, 13 hours for the agent. The business of the post office is performed in 10, 12, or 13 hours and then it is closed, and there is no other postmaster or agent there, but yet the department holds us for an agent and we frequently have to put on men at night to take care of the mails.

The CHAIRMAN. We are very much obliged to you, Mr. Baskerville.

I was just going to ask Mr. Lorenz if he would give us the benefit of his ideas as to what factors should be considered in the study regarding the best method of paying the railroad companies in the matter of transportation of mail.

Mr. LORENZ. I am not prepared to discuss the matter in a comprehensive way. I have already, in various memoranda, indicated my ideas.

The CHAIRMAN. I did not know but what you might summarize and give the salient features as set forth in the different memoranda that have been presented.

Mr. LORENZ. Thinking over all the discussions that I have listened to, it seems to me that the representatives of the railroads have not put anything in place of the suggestion of the Post Office Department that the fundamental determinant factor upon which we must base our judgment as to whether the railroads are over or under paid must be upon some estimate of what the cost of the service is. It need not necessarily be a separate estimate for every railroad, but it might be an estimate for representative railroads, but nevertheless that estimate, in some form, it seems to me, again and again has been shown to be the factor upon which those rely who attempt to say that the railroads are over or under paid. I do not know that anyone has attempted to say that they are overpaid, but that question having been answered by that method, either directly or indirectly, it becomes necessary to discuss another question, and that is the method of distributing the money among the railroads. I think Mr. Mack indicated that the comparison of revenues of passanger cars with mail cars was a basis different from the cost basis, but in order to be convincing such a comparison must again rest back upon some previous cost determination. In other words, you are indirectly making use of the cost estimates which have been prepared from time to time in passenger rate cases in order to sustain your position that the passenger rates are not too high. That seems to me to be a general conclusion to be drawn from all this discussion, whether you derive your immediate opinion from comparison of passenger car-mile earnings or whether you make an independent cost estimate. In the last analysis, what is called a cost estimate determines your mind upon that question.

I may say at this point a good deal of opposition to determining the cost of a service might disappear if people recognize that the cost estimate is not strictly a cost estimate. The costs can be clearly determined only to a certain point; common expenses can not be satisfactorily related to some special branch of the service as a matter of cause and effect. The only thing you can do is to measure the use which the various branches of the service make of the common facilities and use that measure, whatever it may be, as the basis of distributing the expense, so that that so-called cost accounting is really cost and use accounting, but so understood, it seems to me, that the statement I have made can not be challenged, and in the last analysis some form of cost accounting must really be your basis of determination as to whether the railroads are overpaid or underpaid. On the question of the method of payment, which is entirely dis-

tinct, the controversy between the weight basis and the space basis, it seems to me, has not developed as much close discussion of the merits of the space basis as it might have done. Frequently in the discussions here it has been mixed up with the cost basis, whereas it is not directly related. I have listened intently at the various hearings for specific objections to the space basis, and it seems to me that there is really only one fundamental objection, and that is the administrative detail, and that is a question on which I have not formed any special opinion. The question of space was discussed in the former report of the postal commission, the Wolcott commission, by Mr. Adams, and the main reason urged against it at that time was the danger of removing the check which now exists against using too much space by the Post Office Department.

It was argued that at the present time it is to the interest of the railroad companies to restrict space. Being paid upon a basis of weight largely, the smaller the space in which they can carry that weight the better it is for them. The Post Office Department, on the other hand, desires as much space as possible, in order that they may more effectively distribute the mails. These two operate in different directions and tend to hold the amount of space at a reasonable level. Under the space system it is urged in that report that the check to using too much space which the railroads now offer would be removed; it would be to their interest also to furnish as much space as possible, and it would be to the interest of the Post Office Department to have as much space as possible, the only check being the desire of the higher officials—not the lower officials—to make a record for economy, and I should think that would have to be very seriously considered by this committee—whether that check would be sufficient to prevent an extravagance in the matter of space.

The CHAIRMAN. That appears sound to me; General Stewart, what do you say of that?

Mr. STEWART. Dr. Lorenz has no doubt studied the points found in that report. I do not agree with the opinions as to the stated facts.

The CHAIRMAN. Would not the tendency be more space for the railroads under the suggested substitution plan because of additional comforts desired by the employees, and the check be the inclination of the department heads to administer efficient and economical service?

Mr. STEWART. That would be true under the proposed system, just as it is true under the present system.

The CHAIRMAN. I agree with you that they neutralize each other.

Mr. STEWART. What I took exception to is this: That the premises assumed by that report appear to be wrong with reference to the present service. It is not to the interest of the railroad companies to restrict space, as you have probably learned at these hearings. The great complaint of the railroads is that we do not give them enough space, because space means more money to them, and the facts are just the opposite of what have been stated in that report. The pressure from the outside at the present time is for more space all the while, and the tendency of the department is to restrict the space which we pay for at an extra rate of pay and at the same time furnish all the mail facilities that the mail needs.

The CHAIRMAN. You do not, in the apartment cars, give any additional compensation, do you?

Mr. STEWART. I say, when the railroads use space for which we pay additional money.

Mr. MACK. With regard to the full cars, I think it is the position of the railroads not to seek additional space, but to seek pay for the space which is used by the department. For instance, where a 50-foot line is authorized and a 60-foot car is used, the railroad wants pay for that 60-foot car. It is not that they want an additional car, but they want pay for the space which they think and believe, whether rightly so or not, is used.

Mr. STEWART. That is only another way of stating the facts. There is always a pressure for more allowance for space, whether the space is now being used and not paid for, or whether it be otherwise. As a matter of fact, the space is ordinarily either used or the car is so congested that the railroad company's representative, as well as the representative of the department in the field, believes we ought to have more space. I do not want to interrupt Dr. Lorenz further. I think his presentation of the matter has been very admirable.

Mr. PETERS. You referred to Mr. Mack's claim about the relative revenue per car foot. You spoke of it as relating to the cost accounting. The distribution or placing the mail on the same basis as the discharge of express revenue would not cover the matter of the cost at all. You have only ascertained the total car-foot space on your passenger trains and then divided your revenues by that, and cost did not enter into that account. We showed by our preliminary report, which was afterwards checked over, that we got it pretty closely together—we averaged about 4.35. There was a difference of a few cents. Most of us in discussing this matter felt that the mails should produce relatively as much revenue per car-foot mile as the passenger service.

Mr. LORENZ. On the assumption that the passenger revenues are not too high?

Mr. PETERS. Yes.

Mr. LORENZ. But how did you arrive at that without a cost estimate?

Mr. PETERS. We can not arrive at that without a cost estimate; but leaving out the fact that the passenger service is not too high, we know that the net results of the railroad at the present time are not very attractive. Railroad credit is getting worse and worse, and it is due to the fact that the revenues do not keep above the expenses as much as they should. If the passenger service produces a just revenue per car-foot mile, and that does not produce any too much, we feel that we are fully justified in asking that the mail should come up to practically the same basis in order to bear its share of whatever the total expense may be in operating that train.

Mr. MACK. I think Dr. Lorenz has illustrated very well the point. The fact, however, is pointed out that the passenger train service is not earning too much, as shown in the rate cases.

Mr. SAFFORD. It seems to be fair to assume that the passenger rates, being fixed by law, are not too high, because the legislative bodies who fix those rates did so in all cases after thorough investigation of all the facts. We are generally able to demonstrate the fact that they are not remunerative.

Mr. LORENZ. I do not believe, Senator, I have any new ideas to bring out.

Mr. PETERS. In your last memorandum you did say that the side and messenger service was not a part of the passenger service.

Mr. LORENZ. It seems to me that it is not.

Mr. PETERS. I think that the Senator and the committee have pretty nearly reached that conclusion. There is part of it that the railroad can perform and there is a part of it that is a burden and means an outlay of money.

Mr. LORENZ. It might be suggested that in this, as in many subjects, a great deal of discussion would be saved if you make a trial of the space basis. In past hearings this same debate has been gone over again and again and will be probably gone over again and again in the future unless we actually have it tried out, and perhaps the cost of trying it out will be less than the cost of future investigations.

The CHAIRMAN. In that connection, suppose Congress did enact legislation which substituted the space basis for the weight basis and it was demonstrated by such a change that the railroads received more compensation than they receive to-day under existing conditions. You would simply demonstrate a fact. You would not demonstrate any light on the relative desirability of the two systems, would you?

Mr. LORENZ. You would demonstrate its practicability or impracticability as actually worked out in its administrative details. The general question of whether it would lead to justness of payments between the railroads or whether it would lead to a just total amount of pay to railroads would not, of course, be determined by trial, but that, it seems to me, will be determined automatically in the future by the progress of railway cost accounting which, I feel sure, is bound to come.

Mr. MACK. Do you not think that our statement of the relative earnings of passenger and mail service showed a practical demonstration of material underpay to the railroads, the statement filed by the joint committee showing respectively 4.34 and 3.37 mills per car-foot mile? The total applied to the service shows a deficiency in mail pay of nearly fifteen and one-half million dollars. We think that the illustration shows that we are underpaid that much, or very nearly so.

Mr. LORENZ. That is an indication, I should say.

Mr. PETERS. When comparing it with all the revenue produced by the train mail carried on the same train with the passengers?

Mr. LORENZ. That is a strong indication.

Mr. STEWART. I think the record should show that that question is predicated on the company's figures and not upon the department's figures as rendered.

Mr. MACK. The space actually used in the service at the time the space was taken?

Mr. STEWART. That includes dead space.

Mr. ROWAN. Did not the department check up all the space that was used? I think Mr. McBride testified that they did, in order to satisfy themselves that the reports of the companies were substantially correct.

Mr. STEWART. Yes; but the companies charged to us all the dead space as well as deadhead space and we excluded the dead space from the mail charge.

Mr. MACK. That was also done in the passenger space, and I think Dr. Lorenz has previously testified that, in his opinion, if it was included in one case it ought to have been included in the other; so, for the purposes of this comparison, it seems to me eminently fair that it should be done, not as determining a definite rate, but, as Dr. Lorenz has unqualifiedly stated, it is a clear indication of underpay. It may not be exactly $15,000,000, but, so far as we can arrive at any general sort of figure, it seems to me that that is about right.

Mr. STEWART. Of course, I am not objecting to Dr. Lorenz's personal view about the matter, but I want the record to show that he answered the question upon the basis of the companies' own figures and not the department's figures as to the service rendered.

The CHAIRMAN. Before we adjourn I want to know if there is anything further you gentlemen would like to submit.

Mr. PETERS. I do not know anything from our side. We want to prepare a summing up. (For summary, or brief referred to, see Addenda, p. —.)

The CHAIRMAN. It is the desire of the committee to give every possible opportunity; but, after consultation with members of the committee, it is our opinion that we would like to have you file whatever briefs you have, or supplemental information or views, with the committee by the 1st of June, and we will close the hearings by that time.

Mr. STEWART. For the department I want to ask the privilege of filing a brief in review of the testimony that has been taken before you. I do not know whether it will be possible to finish that by the 1st of June, but I will try to do so. (In response to inquiries of the chairman, the Post Office Department, by Hon. Joseph Stewart, its Second Assistant Postmaster General, in a letter, dated July 12, 1913, stated that it would be impracticable to submit the brief referred to at an early date. The brief, when submitted, will appear in a supplement to this volume.)

Thereupon, at 6 o'clock p. m., the hearing adjourned.

# ADDENDA TO HEARINGS

OF

JANUARY 28 AND 29, FEBRUARY 7, 12, AND 17, 1913 (VOL. 1)
MARCH 27 AND 28, 1913 (VOL. 2)
APRIL 8, 1913 (VOL. 3)
APRIL 22, 1913 (VOL. 4)
MAY 14, 1913 (VOL. 5)

# ADDENDA.

The following data presented during the course of and subsequent to the hearings, which were closed on May 14, 1913, are by direction of the chairman here inserted in the hope that same may be of assistance to the reader in elucidating and clarifying the points brought out in the hearings proper.

## ARE OUR RAILROADS FAIRLY TREATED?

To supplement his testimony why mail earnings should be equivalent to the earnings from other train service and to indicate the necessity of increased rates, generally, including mail rates, Mr. H. E. Mack, manager, mail traffic, the Missouri Pacific Railway Co. et al., submits the following address on the subject above indicated by Mr. Benjamin F. Bush, president of the Missouri Pacific Railway Co. and the Denver & Rio Grande Railroad Co., delivered before the Economic Club, New York City, Tuesday, April 29, 1913:

Mr. President and gentlemen of the Economic Club, a careful and impartial analysis of the railroad situation as it exists to-day irresistibly forces the conclusion that there is no subject before the people, no policy engaging the attention of the Government, that in its future economic aspect foreshadows more dangers, both to the commerce of this country and to our institutions, than does that of railroad transportation; therefore, that it be solved rightly it should receive the most scrupulous consideration.

The wonderful commercial progress of the United States has been made possible only by the railroads. Since 1870, when the impetus given railroad construction began, the wealth of this country has increased from $30,000,000,000 to the enormous sum of $140,000,000,000. Its foreign commerce, in the main largely dependent upon the railroads, from $800,000,000 to $4,000,000,000. The internal commerce of the railroads to-day has reached the stupendous figures of over 293,000,000,000 of units of service—being the tons of freight hauled 1 mile and the passengers carried 1 mile.

The volume of this railroad commerce has nearly doubled in 12 years, and taking cognizance of the alert and progressive spirit of our people and our still latent and undeveloped resources—in farm, mine, forest, and factory—an alluring promise is foreshadowed for a continued increase.

The fulfillment of this promise rests entirely upon the ability of the railroads to improve their existing plants to a higher state of efficiency, to extend their lines into the undeveloped regions, and thereby provide the necessary facilities for the prompt movement and distribution of the products arising from the awakened activity. The commercial supremacy of the world is the heritage of our Nation if the means at our command are wisely applied.

As to how the railroads can secure the money necessary to make the improvements and extensions to efficiently provide for the carriage of the existing and increasing traffic, so that all lines of industry may develop and operate to full advantage and our vast tide of commerce still further expand and flow unrestricted to its final haven, is "the railroad problem."

As the conditions are to-day, by reason of not having the means at their command, the railroads, with few if any exceptions, can not give proper movement to the large volume of existing traffic. This was likewise true in 1906, 1907, 1910, and 1912. The transportation facilities are not keeping pace with the increasing traffic requirements.

At the period of their inception, railroads were crudely constructed, but they supplied the needs of the time in moving the sparse traffic then offered for shipment. They were built on the lines of least resistance, to meet the varying characteristics of the contour and topography of the country traversed. Later, with the growth of traffic and more urgent requirements, radical improvements had to be made to meet the changed conditions. Practically the lines had to be almost rebuilt—in reducing grades, eliminating curves, replacing wooden with more substantial steel and concrete bridges, widening roadbed and embankments, ballasting track, deepening and widening ditches, constructing cross drains, building viaducts over road crossings, building sidings, passing and double tracks, providing heavier rails and ties, larger engines and cars, spacious terminals in large cities, more commodious station buildings, engine houses, shops, and many other appurtenances. As the means have permitted, this work of rebuilding and enlarging and improving the roadbed and equipment has been prosecuted, so that a higher standard of service and efficiency might be forthcoming.

Billions of dollars have been already expended in this work, but much yet remains to be done before the roads reach that stage of completion that the constantly increasing traffic can be satisfactorily handled. This will require more billions of dollars. The money can not be supplied from earnings, as on account of inadequate compensation for service rendered the earnings in many cases are scarcely sufficient to maintain the properties in a solvent condition.

How then can this necessary capital be obtained? A railroad to obtain money for extensions into new fields or for the improvement of existing lines must, like a merchant, have an established credit. It must be able to show by past or current operations that it will be able to meet the new interest obligations it assumes and have a surplus over and above all its requirements. Not many railroads are able to do this under the existing operating conditions of high wages paid for labor, increased cost of materials, the higher standard of service demanded by the people and governmental compulsory expense and regulation of charges for transportation.

Legislation of the most onerous character has in recent years been enacted by Federal and State authority, entailing numerous expenditures without any compensatory provision, many of the acts being entirely without beneficial results to the public and only an economic waste. Three or four bills now being urged upon Congress are estimated to involve an expenditure by the railroads within the next four years of nearly $1,500,000,000.

These many expenses over which the railroad manager has no power of control have steadily increased the unit cost of operation, and as the unit of compensation for transportation service is regulated by Federal and State authority and is more often reduced than advanced, it follows that the unit of profit is steadily decreasing. If these two opposing units of conditions, cost and compensation, are allowed to continue in their course, it means they will meet in time and all profit will be expunged.

It may be thought, however, that the revenue derived from the increased business will more than offset the increased expense. Such is the view of the ordinary layman who has given the matter only cursory study. If the roads were not working to their full capacity—that is, if they had unused engines, cars, tracks, and terminal facilities—they could to some degree for a time offset the increased expenses by additional earnings, but when, as in 1906, 1907, 1910, and 1912, they were burdened with business beyond their capacity, the excess entails an expense much greater than the average cost.

The gross earnings of the railroads increased largely during the last half of 1907, but notwithstanding this, the net earnings decreased over $22,000,000. For the last six months of 1910 the gross earnings increased over $55,000,000, while the expenses increased over $84,000,000. The volume of traffic moved in those years was very large, and for many months was in excess of the capacity of the carriers.

The Interstate Commerce Commission in 1907 declared that the inadequacy of transportation facilities was alarming, yet when the railroads sought to advance their rates in 1910 to enable them to make better provision for the public demands and establish a higher financial credit the commission would not sanction the advance. The earnings for the roads for the two following years, 1911 and 1912, increased $11,054,000, but the operating expenses and taxes were swelled $98,544,000, leaving a less net revenue for 1912 than for 1910 by $87,490,000. This loss was equivalent to the impairment of their ability to raise over $2,187,000,000 at 4 per cent. It is thus that the net revenues of the railroads are depleted and their inability to borrow money is further emphasized. If the railroads could retrieve such yearly net losses, they would be able to strengthen their credit in the financial marts and raise the necessary funds to meet the exigent demands of the business public.

It is a mistaken conception, though one generally prevalent, that the railroads are overcapitalized and seek to obtain exorbitant rates from the public to pay interest on the excessive capital. The fact is that the physical properties of the railroads could not be duplicated to-day for anything like the present capitalization. The money of the owners which has not been capitalized, that has been expended on the roads from year to year since their pioneer days in betterments and improvements, roadbed, equipment, and their accessories, has long since absorbed any water there may have been in the securities.

Such high authority as the Interstate Commerce Commission declared some time ago that the value of the physical properties of the American railroads was more than that represented by their stock and bonds. This capitalization is less than one-fourth that of the English railways and less than one-half that of the other European countries; yet, high as this capitalization of foreign railroads is, they are permitted to charge such rates as yield reasonable net returns.

The average rate received by the United States railroads for hauling a ton of freight 1 mile is three-quarters of 1 cent while the rate received in England for a like

service is over two and a quarter cents, or three times as much. The rates of other European countries are also much higher than ours. As has been well said by Mr. Hill, "The American railway pays the highest wages in the world out of the lowest rates in the world, after having set down to capital account the lowest capitalization per mile of any of the great countries of the world." He might have added, they also give the best service in the world.

I believe it can be truthfully said that the causes of complaint in the past against the railroads have been entirely eliminated. The published tariff of charges, accessible to all, governs to-day without discrimination or favoritism to any shipper. Complaints may arise and do arise as to rates on specified commodities between given markets, on account of their relation to the rates on like or correlated commodities to and from other markets. These complaints grow out of the rivalry between communities and are the main grievances of shippers now brought before the commission.

Shippers naturally endeavor to get the lowest rates possible, and from the standpoint of their individual interests they believe that unjust inequalities exist in rates, although such inequalities may be the result of inexorable economic laws beyond the carrier's power to control. In the adjustment of these differences between markets or rival communities, the decision of the commission is almost invariably in the direction of reducing the higher rates to the lower level. In this way there is a constant nibbling at the rate fabric, which ultimately will prove as injurious as a general reduction.

It is axiomatic that mutuality of interest exists between the railroads and the shipper; that one can not prosper unless the other does and that injury to one will later bring injury to the other. If the shipper is charged unreasonable rates or is afforded poor service for the transportation of his wares, he suffers in his business, and this in time reacts upon the carrier. On the other hand, if the carrier receives insufficient compensation for its service by reason of inconsiderate legislation, or, by unwise direction of regulative authority, undue burdens are imposed which increase its expense, then it may, for lack of means, be unable to maintain its former standard of service and thus the shipper and the carrier are both injured.

I recognize that the railroads are in duty bound to serve the public in the best possible manner and that the public, through the State, has the authority to regulate their operations, but when that authority is exercised with reference to the most minute and varied details, burdening the carrier with an unnecessary expense, which it cannot afford, then it would seem only just that the public, through the State, should allow it the necessary protection in the way of maintaining compensatory rates. This is on the principle that the right to regulate or control carries with it the obligation of reasonable protection. Authority carries with it responsibility and control imposes the duty of protection. I believe that the same principle of justice should be administered to an association of individuals known as a corporation as is administered to the individuals personally in other capacities.

Considering what the railroads have done through the investment of private capital—in upbuilding and developing the country, improving the conditions of living, uplifting the people and adding to all the comforts and conveniences of life—they certainly are entitled to that necessary protection which will enable them to continue in their vocation and elevate to a still higher plane the social, commercial, industrial, and agricultural conditions of our people.

An eminent public official, an authority upon this subject, has said: "No just legislation upon this subject will proceed upon the theory that the public alone is in need of protection and that the railroads can take care of themselves. I have no sympathy with such an unfair and illogical contention."

The United States census returns show that from 1900 to 1910 the capital value of agriculture increased from nearly $20,500,000,000 to $41,000,000,000, or 100 per cent, and the capital value of manufactures increased from $9,000,000,000 to nearly $18,500,000,000, or over 105 per cent, while the capital of the railways increased from $10,250,000,000 to less than $14,500,000,000, or only 40 per cent.

Here we have an increase in the capital of $30,000,000,000 in those two important industries of agriculture and manufacture which are almost entirely dependent upon the transportation lines for their successful operation, whereas the capital of the transportation lines with their many appurtenances increased only to the value of $4,250,000,000.

And again, we find that the value of the products of manufactures increased from $11,500,000,000 to over $20,500,000,000, or 81 per cent. As the railroads get a double haul on a large portion of manufactures—the raw material in to the factory and the finished product out—it may be judged how essential it is that they beep abreast of the times in road and equipment to properly take care of the constantly increasing tonnage implied by these enormous values. The largely increased volume of agricul-

tural products, which last year exceeded $9,000,000,000 in value, must meet with more prompt consideration on the part of the carrier, for through the economic conditions governing the greater portion of it is rushed to market within a limited time.

The census further shows that notwithstanding the large increase in the capital of manufactures of 105 per cent, the net return to the owners on the total of $18,500,000,000 was over 12 per cent. Yet on the railway capital there was nothing paid on $3,500,000,000 and less than 5 per cent on $7,500,000,000. The services of the railroads make secure the most liberal returns on the enormous capital of $59,500,000,000 invested in these two industries, and therefore the manufacturers and farmers should willingly aid in an effort to get the transportation rates advanced. It is of paramount importance to their own continued welfare that they exert themselves in that direction.

I have already alluded to the immense volume of traffic conducted by the railroads and to the fact that it has increased double-fold in 12 years. Will it continue to increase in the same ratio in the coming years?

The marvelous resources and latent strength of this country are in many respects scarcely trenched upon. Of the total land area of the country 46 per cent is in farms, but of this land in farms only 54 per cent is improved. Only 25 per cent of our great domain is producing anything of value. Ex-Gov. Hadley, of Missouri, when in office, stated in a public address that the development of Missouri's natural resources had scarcely begun; that there were three counties in the State which had no railroads and seven counties with less than 25 miles; and that of the 44,000,000 acres of land in the State more than one-half had never been touched with a plow. A like statement is applicable to many of our Western and Southern States. The opening up and cultivation of these undeveloped lands by the building of railroads would give a further impetus to general trade and industry.

Then, again, our farmers are now awakened to the benefits to be derived from the application of scientific methods in agriculture, and more intensive yields will be the result. A more careful culture of our wheat lands will easily double the yield and still be less than that of European countries, whose land has been under cultivation for more than 2,000 years. A like increase can be effected in the other cereals and products of the soil. Our project for the reclamation of the swamp and arid lands goes on apace.

There are vast mining lands with their hidden treasures yet awaiting development. The completion of the Panama Canal will open to us more directly the trade of the Orient and western South American countries, with their hundreds of millions of beings whose wants may be supplied with our merchantable wares. The value of our exports of manufactures is now over $1,000,000,000 annually, and at the present rate of increase it doubles every three or four years. Our foreign trade in other commodities is taking on a greater momentum.

In all these we have a magnificent vista of possibilities which portends the continual upward trend of our trade and commerce, with its concomitant of future steady employment for our people—the desideratum of all governments. The illimitable prospects betoken its continuance if ample provision is made for transportation.

Now, with the present traffic of the railroads reaching the stupendous figures of over 293,000,000,000 of units of service, what will the future increase mean if kept up in the ratio of the past?

You all know something of the capacity of the New York Central Railroad within your own great State, and the magnitude of its operations and transportation facilities. Four per cent of the volume of traffic now annually moved by our railways would at the present day tax the full capacity of that road, working day and night for one year. As the railroads operated to their full capacity in years of active business, like last year and other past years, an idea may be formed from this illustration of the magnitude of the work that will have to be done in fitting response to the demands of commerce. The commerce is increasing on an average of 8 per cent and more per year, and notwithstanding one-half of this yearly increase would tax the capacity of one of the first railroads in the land, no provision is being made, and no provision can be made, under the rates now received for transportation service for the proper and safe conduct of this prospective traffic.

Can the railrods meet this serious situation with which they are confronted? Yes, if allowed to charge a fair compensation for their services. The railroads now receive on an average per mile 7½ mills for hauling a ton of freight and less than 2 cents for carrying a passenger. If this average compensation could be increased even 1 mill, or the equivalent of the price of a postage stamp for 20 miles' service, it would extricate them from all further trouble and anxiety. It is scarcely conceivable that such a slight advance would injuriously affect any trade, industry, or person, yet it would be the means of conferring untold benefits upon the entire business of the country.

The Hon. Martin A. Knapp, late chairman of the Interstate Commerce Commission, who had 20 years' experience on that board, after a careful study of this question from all viewpoints, expressed his deliberate judgment as follows:

"Without regard to the personnel of railroad officials, without regard primarily to the interest of stockholders, but in the interest of public welfare and national prosperity, we must permit railroad earnings to be adequate for railway improvement at advantage and profit.

"The prosperity of the country is measured, and will be measured, by the ability of its railways and waterways to transport its increasing commerce. With a country of such vast extent and limitless resources, with all the means of production developed to a wonderful state of efficiency, the continued advancement of this great people depends primarily upon such an increase of transportation facilities as will provide prompt and safe movement everywhere from producer to consumer; and that we shall not secure unless the men who are relied upon to manage these great highways of commerce have fitting opportunity and the capital which is required for their needful expansion is permitted to realize fairly liberal returns."

If the railroads are not allowed to charge a compensation for their services that will enable them to make a fair return on the investment with a reasonable surplus for betterments, improvements, and the establishment of their credit, the task on their part of meeting the situation will be hopeless. In equity and justice they are entitled to this, and I believe if the question were understood in its different phases the good sense and fairness of the American people would be asserted in support of the railroads.

Not only have the railroads' expenses steadily increased of late years, but the purchasing power of the compensation received for their service has decreased. In other words, while the value of a given quantity of farm products will purchase 69 per cent more ton-miles of transportation than in 1900, the purchasing power of the compensation received by the railroads for the transportation 1 mile of a given number of tons of freight in 1910 was 13 per cent less than in 1900.

With these adverse conditions confronting the railroads, it is absolutely necessary in order that they perform their functions to the public that they be allowed to advance at an early date their service charges. This is a matter of more vital concern to the welfare of the entire people than it is to the individual owners of the railroads.

If the railroads deteriorate in the service rendered, as they undoubtedly must if the conditions are not changed, it unmistakably means that commerce will be retarded; that industry will languish; that the many fruits of agriculture will wane; that the proud eminence we have attained in our many varied pursuits will crumble, and the unrest, discontent, and dissatisfaction of an unemployed people may lead to the establishment of a new order of things with respect to the ownership and operation of the railroads of the country, with the attendant dangers to the perpetuity of our republican institutions. So the conclusion is irresistibly forced upon us that this railroad question is a Government problem, and one of very grave and serious concern, which should be satisfactorily settled, and the ominous dangers threatened averted thereby.

The President of the United States, before his inauguration into office, asserted that—

"The measure of service rendered by business to the people will be the measure by which the merit of business shall be judged."

The railroads can accept this declaration and be satisfied to stand or fall by its concrete application.

I believe it will always be found that in any estimate made of the dignity and strength of our Nation, of the enlightenment and social comforts of our people, of the wealth and commercial greatness of our country, the significance of the railroads must stand forth—a marked, conspicuous, and important feature.

## BRIEF OF COMMITTEE ON RAILWAY MAIL PAY.[1]

Under date of June 26, 1913, Mr. Ralph Peters, chairman of the committee on railway mail pay, addressed two letters to the chairman of the joint committee, one submitting a brief or summary of principal points established by the testimony prepared by counsel for his committee, and the other a supplementary summary by Mr. V. J. Bradley, general supervisor of mail traffic, Pennsylvania Railroad Co. which read, respectively, as follows:

COMMITTEE ON RAILWAY MAIL PAY,
OFFICE OF THE CHAIRMAN,
*Pennsylvania Station, New York, June 26, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail,*
*Senate Office Building, Washington, D. C.*

MY DEAR SIR: In compliance with the understanding at the close of the hearing on May 14, 1913, we beg leave to submit herewith a statement of the position of the railroads with reference to the question of compensation for the handling of the mails. This statement is a summing up of the principal points established by the testimony brought out in the hearings.

We have endeavored as far as possible to make this statement brief and concise, so that a careful study will be sufficient to give anyone a clear understanding of the matter without wading through all of the testimony.

In closing, our committee desires to call attention to the fact that the postal revenues will probably be increased this year, as the result of the operation of the parcel post, between $30,000,000 and $40,000,000. The greater portion of this is made possible by the use of the facilities furnished by the railroads. With the 5 per cent increase allowed under the last appropriation bill of Congress, it is estimated that the railroads will receive extra pay on this account of about $2,500,000, which will be only from 6 to 8 per cent of the increased gross revenue to be derived by the Post Office Department from the extra traffic.

In view of the continued growth of the parcel-post traffic, and the consequent growth in revenues, it will be necessary for Congress to have information in regard to the weight of parcels, as well as of the remainder of the mails, in order to make a proper analytical study of the traffic. While securing the weights as a basis of compensation for the railroads, information is thus secured for the benefit of the Post Office Department. Our committee feel that we are entitled to more compensation for this additional service we are performing, and that it would be dangerous to depart from the present basis of compensation until a longer experience has been obtained in the handling and developing of this traffic.

We again desire to express our high appreciation of the fair and impartial consideration given us in all the hearings by yourself and the members of your committee.

Very respectfully yours,

RALPH PETERS, *Chairman.*

[1] Brief of Post Office Department summarizing the testimony from its viewpoint will appear in a separate volume, Hon. Joseph Stewart, Second Assistant Postmaster General, advising the chairman of the joint committee under date of July 12, 1913, that on account of press of other matters it would be impracticable to have same ready for submission at an early date.

## Summary of Principal Points Established by the Testimony, and Comments Thereon by the Committee on Railway Mail Pay.

Point I.—In so far as House Document No. 105 (62d Cong., 1st sess.) may have seemed to support the allegation that the mail-carrying railways are overpaid in the annual sum of $9,000,000 or any other sum, that conclusion has now been officially abandoned by the Post Office Department, and it has been made plain that, properly understood, that document demonstrates that these railways are actually underpaid.

The language of Document No. 105 and of the contemporaneous reports and statements of the former Postmaster General created a widespread belief that the railways were overpaid about $9,000,000 for carrying the mails and supplying facilities for their distribution in transit.

The earliest effect of this investigation was the complete abandonment by the Post Office Department of any claim that any reduction in the annual payments for railway services would result from the proper and equitable application of the plan of payment generally outlined in Document No. 105.

Document No. 105 made no allowance for return on the investment; the Postmaster General now recommends such allowance, and allowance therefor will far more than wipe out the alleged overpayment of $9,000,000.

In a brief statement of its position, submitted to the joint committee in October, 1912, the committee on railway mail pay said, in part:

"The Postmaster General's erroneous assertion that the railways were overpaid 'about $9,000,000' in the year 1909 rests primarily upon his adopting an unprecedented theory which allows nothing for a return upon the capital invested in railway property." (Preliminary Rept., p. 9.)

In response to this criticism the Post Office Department admitted that just compensation for the railway services and facilities supplied in connection with the postal service necessarily includes a fair return upon the capital invested. In a letter to Hon. Jonathan Bourne, jr., chairman of the joint committee, dated January 9, 1913, Postmaster General Hitchcock said, in part:

"* * * I am willing to recommend * * * that in addition to the operating expenses and taxes apportionable to the mail service and 6 per cent thereof companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service." (Preliminary Rept., p. 96.)

Subsequently Postmaster General Hitchcock prepared and, on January 20, 1913, transmitted to the chairman of this joint committee, with his approval, a proposed substitute for S. 7371 (the bill formulated in accordance with the supposed original proposals of Document No. 105), which substantially embodied provision for the return on invested capital. (Preliminary Rept., pp. 109–111.)

Discussing this provision of the bill, in giving testimony on January 28, 1913, Hon. Joseph Stewart, Second Assistant Postmaster General, who had direct charge of the investigations reported in Document No. 105, answering an inquiry as to the reasons that led the Post Office Department to recommend "an allowance of a reasonable compensation on capital charges," said:

"Because, Senator, upon a further and more careful consideration of the subject we were convinced that the railroad companies were entitled to consideration for this additional element. * * * It is a difficult question, but we believe that that is an element which should enter into compensation to some extent, and having come to that conclusion we submitted this amendment to our original plan." (Testimony, p. 9.)

The effect of adding to the estimated payments shown in Document No. 105 the just allowance for return on invested capital thus conceded would be to increase the aggregate of those estimates beyond the present total payments. This is fully admitted by the Post Office Department. The testimony of Gen. Stewart includes the following:

"Mr. Stewart. * * * If the railroad companies are to be allowed credit for what would be a fair return on the value of the property employed in performing the service, it would increase the amount considerably.

"The Chairman. Have you any idea as to what the increase would be?

"Mr. Stewart. I have no definite idea, because of the difficulty of arriving at a physical valuation of the property employed.

"The Chairman. Have you an impression? In other words, what change would the last suggested bill, printed on page 109 of this blue pamphlet, make on the $9,000,000 estimated difference in payment to the railroads, as indicated in Document No. 105? How much, if any, would it decrease that $9,000,000 difference in pay?

"Mr. STEWART. Stating from a general impression of the subject—and that is all I have—I should say that it would eliminate the $9,000,000; that is, if a fair return were allowed the railroad companies upon a fair valuation of the property employed in performing the mail service in addition to the cost of performing it and 6 per cent The aggregate amount paid the railroad companies now is probably not in excess of what that aggregate amount would be.

"The CHAIRMAN. So that, in the adoption of the suggested plan of substitution of space for weight, an allowance of a fair amount on the capital with no duplication of credit, such as the 6 per cent, the actual operating expenses for handling the mail, there would be no reduction, in your opinion, of the gross amount now paid under the present system to the railroads?

"Mr. STEWART. That is my judgment on the best information I have." (Testimony p. 8.)

The further testimony of this high officer of the department, to whom was intrusted the responsibility of representing the Post Office Department before the joint committee, indicates that the elimination of the $9,000,000 difference is the minimum effect which he estimates a reasonable allowance for a fair return to invested capital could have; that the actual increase in the estimates of Document No. 105 might considerably exceed that sum.

"The CHAIRMAN. If I understand, should Congress see fit to enact legislation as presented by your modified plan it is your opinion that the net result in dollars to the Government would be practically the same, or possibly we would pay the transportation companies even more than they are now paid under the present method, 90 per cent of the mail transportation being paid for according to weight, and 10 per cent according to space as represented in the R. P. O. cars. Am I correct in that statement?

"Mr. STEWART. That is substantially correct." (Testimony, p. 10.)

A little further along Gen. Stewart was asked (testimony, p. 20) whether, supposing the railways to be entitled to 6 per cent on property worth not less than $14,000,000,000 and that 1.78 per cent of that return should come from the mails, they "ought to receive $15,000,000 annually more than they now receive." He replied: "That is true, granting those premises."

That the validity of the premises is not open to doubt is evident when it is noted that the book value of the investment in road and equipment of the American railways, reported by the Interstate Commerce Commission, as of June 30, 1910 (Statistics of Railways for 1910, p. 78), was $14,387,816,099 and the same authority shows (p. 71) that 1.78 per cent of the gross receipts of that year was derived from the mails. Since June 30, 1910, the additional capital invested in railway property, in actual cash, has probably exceeded $3,000,000,000.

In the Minnesota rate case, decided on June 9, 1913, the Supreme Court of the United States has indicated that, in ascertaining the intrastate return upon railway property, the apportionment of the value of that property between intrastate and interstate business ought to be on the basis of the relative use of the property in the two sorts of business rather than on the basis of the relative revenue. On the same principle the apportionment of value of railway property to mail service ought to be on the basis of use rather than on the basis of revenue. If the apportionment were made upon the basis of use, the portion of value chargeable to mail service would be more than 1.78 per cent of the total because the revenue from mail service is relatively smaller in proportion to use, than from any other branch of railway service. The Postmaster General's own apportionment of expenses (Doc. No. 105, p. 280) showed that the mail service should be charged with 1.95 per cent of the total expense. This figure of 1.95 per cent is probably a much more accurate indication of the use of railway property in the mail service than is the figure 1.78 per cent derived from the revenue.

The Post Office Department now concedes that Document No. 105, through erroneous treatment of so-called "dead space," underestimated the pay due the railways.

The Post Office Department, in addition to admitting that Document No. 105 should be revised in order to make a reasonable allowance for a just return on invested capital, also concedes that the so-called "dead space" was erroneously treated, with the result of underestimating the compensation fairly due the railways.

Messrs. Joseph Stewart, C. H. McBride, and A. N. Prentiss, for the Post Office Department, and Messrs. H. E. Mack, V. J. Bradley, and H. P. Thrall, for the railways, agreed upon the following, which was submitted to the joint committee under date of March 15, 1913:

"The differences between the car-foot mile earnings by the two calculations are due entirely to the fact that the Post Office Department, upon receipt of the data as to space from the railroads, made certain modifications therein, based upon the space deemed

by the Post Office Department to be necessary for its purposes and upon its rules with respect to assigning other space reported by the companies as mail space, which resulted in a reassignment of the car-foot mile space to the different subdivisions of passenger-train service." (Testimony, p. 324.)

The foregoing shows that unless the modifications referred to were justified, additions to the estimated payments under the proposed system would have to be made corresponding in extent to the erroneous changes. In his letter of January 9, 1913, already quoted from herein (p. 721), Postmaster General Hitchcock conceded, in effect, that these modifications ought not to have been made as to railway post-office cars, by saying—

"I am willing to recommend * * * that in computing the car-foot miles the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction." (Preliminary Rept., p. 96.)

Mr. C. H. McBride, Superintendent of the Division of Railway Adjustments in the Post Office Department, testifying for the department, acknowledged this error and the necessity for its correction.

"Mr. McBride. I think where the demand of the service requires them to run an additional car in addition to the regular baggage car they should be credited with the return space if they do not use it.

"The Chairman. If it is not used?

"Mr. McBride. Yes.

"Mr. Rowan. Did you carry that out in practice in the preparation of Document No. 105?

"Mr. McBride. No; we did not. But I think we have said since that we should have done so." (Testimony, p. 511.)

Other erroneous modifications of the space reported by the railways were also admitted on behalf of the department. The corrected edition of Document No. 105 shows (p. 59) that 211,413,012.90 car-foot miles of so-called "dead space," reported by the railways as chargeable to the mail service, were not only disallowed as charges against that service, but were actually transferred bodily and made charges against the passenger service. During the proceedings of the joint committee on May 14, 1913, the following colloquy took place:

"Mr. Peters. I think the records will show that Mr. McBride stated that he did not consider it was fair to put into the space of the passenger operation of the train the dead space that really belonged with the mails, and that that has not been fair, and that it altered the figures very materially.

"Mr. Lloyd. Did you make that concession, Mr. McBride?

"Mr. McBride. I think that statement is made in a letter from the former Postmaster General, Mr. Hitchcock. In the consideration of the question he stated that certain modifications of the use of the data were proper." (Testimony, p. 648.)

Mr. M. O. Lorenz, associate statistician of the Interstate Commerce Commission, an impartial expert, responding to an inquiry by the chairman of the joint committee, said:

"I can not see how there can be two opinions. It seems to me just as you can not operate a freight service without hauling empty freight cars, and just as you can not operate passenger service without hauling empty space, you can not operate mail service without hauling empty space, and in comparing the various departments, either on cost or revenue basis, you should include all of the space used and unused which is hauled in connection with that service, and I can not understand, therefore, why on this particular point the Post Office Department should have rejected the dead space from the mails and put it in the passenger service. It seems to me they made a clear error." (Testimony, p. 514.)

The testimony also shows (pp. 512–513) that Mr. McBride, speaking for the department, admitted that the space in passenger coaches occupied by employees permitted to travel in those coaches without charge, on postal business but not actually in charge of mails—worth, in November, 1909, at 2 cents per mile, $97,650.89—(testimony of Second Assistant Postmaster General Stewart, p. 27), was attributed, in the preparation of Document No. 105 to the revenue passenger service and not to the mail service. This value for an entire year upon the basis of November, 1909, was $1,171,810.68. (Testimony, p. 579.)

Document No. 105, properly understood, demonstrates that the railways are actually underpaid.

These considerations lead to the inevitable conclusion, formally admitted on the record, by the department, that, although the adoption of the plan of payment suggested in Document No. 105, as modified by the Postmaster General on January 9 and January 20, 1913 (Preliminary Rept., pp. 96–97, 109–111), might increase the cost of railway service to the department, it could not decrease that cost. They fully

support the statement made by the associate statistician of the Interstate Commerce Commission, Mr. Lorenz, who, referring to Document No. 105, said: "* * * that document seems to demonstrate the fact that the railways are underpaid." (Testimony, p. 379.)

POINT II.—The existing law has never worked to the disadvantage of the Government, but has failed to do justice to the railways by reason of infrequent weighing; absence of pay for nearly 40 per cent of the space occupied as traveling post offices; the performance, without pay, of side and terminal messenger service, and the unjustifiable reduction in pay by the act of Congress dated March 2, 1907, supplemented by order No. 412 of the Postmaster General, changing the divisor.

The foregoing is an extract from the response of the chairman of the committee on railway-mail pay, dated October 3, 1912 (Preliminary Rept., pp. 7–8), to the inquiries propounded by the chairman of the joint committee (Preliminary Rept., p. 6), which response was somewhat in the nature of a formal preliminary statement of the case of the railways. It has been fully corroborated by the testimony subsequently taken. The several propositions will be considered separately.

### A. THE PRESENT LAW HAS NEVER OPERATED TO THE DISADVANTAGE OF THE GOVERNMENT, BUT IS UNJUST TO THE RAILWAYS.

These general conlusions are substantiated by the references to and quotations from the testimony already introduced, which lead directly and unmistakably to the conclusion that the railways are underpaid.

A further proof that the present law is not disadvantageous to the Government but is unjust to the railways is afforded by a comparison of the compensation for mail service with the compensation for other services performed on passenger trains.

The committee, consisting of representatives of the Post Office Department and of representatives of the railways, agreed that the data reported by the railways for November, 1909, representing 187,760 miles of service, showed that the earnings per car-foot mile in mail service was only 3.37 mills as compared with 4.34 mills, the earnings per car-foot mile in all other services on passenger trains. (Testimony, p. 324.)

The only criticism of this comparison offered by the representatives of the Post Office Department was that the comparison was based upon the full amount of space charged by the railways to the mail service without any deduction for dead space. It was not disputed, however, that in this respect the mail service had been treated just as the other services on passenger trains had been treated.

A further proof that the present law is not disadvantageous to the Government is afforded by the testimony that on the Atchison, Topeka & Santa Fe Railway for the months of September and October, 1911, the railway company actually received much less from the Government per gross ton-mile on mail traffic than was received from freight shippers per gross ton-mile on less-than-carload freight traffic. The figures were that the revenue per gross ton-mile on mail traffic was 4.08 mills, as compared with the revenue of 6.50 mills per gross ton-mile on less-than-carload freight traffic. The combined weight of the car and its contents was taken as the basis of this comparison, and this basis was expressly approved. (Testimony, pp. 518–519.)

A system that produces underpayment is not disadvantageous to the Government in the ordinary sense (although it is actually disadvantageous in the broad sense that no government can afford to deal unjustly with any citizen or group of citizens), but is manifestly unjust to the railways, which must suffer impairment of their capital or recoup the losses due to underpayment for the mails by higher charges for passengers or freight.

### B. MAILS SHOULD BE WEIGHED ANNUALLY.

It is admitted that the railways ought to be paid for all the mail which they carry (testimony, p. 188), and for no more than they carry. Changes in the volume of mails on particular routes are frequent and often large in amount (testimony, pp. 190, 584, 585). A four-year period is entirely too long to be the term of any contract for uniform annual payments, conditioned on the volume of any kind of traffic movement at its commencement (Preliminary Rept., pp. 18–19; testimony, pp. 117–118) and would not be considered or tolerated in any other business. The consequences of this system of quadrennial weighings are frequently so intolerably unjust that no one could attempt to defend them. One such instance was occasioned when the manufacture of stamped envelopes and newspaper wrappers, made for the department, was removed from New England to Dayton, Ohio, just after the mails carried by the Ohio railways had been weighed and their rates of pay fixed for the four years ensuing. After carrying all this matter in the mails for more than three years the greater portion of it was taken out of the mails just prior to the next weighing. So that not a dollar of com-

pensation was ever received or ever will be received by any railway on account of this heavy mail movement. An officer of the Post Office Department testified that during the fiscal year 1912 no less than 4,588,339 pounds of this matter, similar to that formerly carried in the mails, went out of Dayton as freight (testimony, pp. 584–585). It is also in evidence that during this year the mails from Dayton were being weighed during the disastrous floods which practically brought all the business of that region to a standstill (testimony, p. 585). The following is quoted from the testimony of Mr. A. H. Rowan, assistant to the vice president of the New York Central Lines:

"In the fall of 1908 when the mails were weighed in New England the country was just recovering from the financial depression of 1907, and the weights of the mail on the Boston & Albany Railroad between Boston and Albany showed a loss in weight over the four years previous, a most unusual thing to have happen. The weighing of the mails on the Boston & Albany during the fall of 1912, which will govern the compensation for four years beginning July 1, 1913, shows an increase of 34 per cent over 1908 weighing, from which you can readily see that we have been carrying for several years past a considerable volume of mail for which we have had absolutely no compensation, as the weighing was conducted at an abnormal time. Conditions became normal again in the spring of 1909." (Testimony, p. 585.)

Innumerable instances of similar import could be adduced. Annual weighings covering 30-day periods need not increase the expense of ascertaining the basis of payment, and the railways confidently appeal for a statutory rectification of the administrative provision of the present law which has lately been regarded by the department as an obstacle to weighings oftener than once in four years. In no other way can the railways be guaranteed payments fairly proportioned to the services rendered nor the Government fully protected against the danger of paying for services that it no longer receives.

### C. RAILWAYS SHOULD BE PAID FOR APARTMENT CARS.

It is scarcely necessary to argue the injustice involved in the discrimination which denies payment for distributing space of less than 40 linear feet on trains while the law recognizes the necessity of paying for precisely similar space of 40 linear feet and upward. The Postmaster General, in Document No. 105 (p. 3) recognized the arbitrary character of this discrimination when he says, "No additional compensation is allowed for space for distribution purposes occupying less than 40 feet of the car length. This distinction is a purely arbitrary one and without any logical reason for its existence."

The especial injustice to the shorter and lighter routes is set forth on pages 172–173 and on page 71 of the preliminary report.

It has been shown that there are over 4,000 of these mail apartment cars in daily use, performing the same work for the Post Office Department as the full railway post-office cars.

With the recent introduction of the parcel post there is still greater demand for this kind of facility.

The Post Office Department is now requiring that these mail apartment cars shall be of the highest standard of construction. In many cases steel cars are demanded. And the rate of pay should undoubtedly recognize these facts.

### D. RAILWAYS SHOULD BE RELIEVED FROM THE PERFORMANCE OF SIDE AND TERMINAL SERVICES OR FAIRLY PAID THEREFOR.

The stagecoach which, although superseded some 80 years ago, was the immediate predecessor of the railway as the principal mail carrier, could readily make a short detour for the purpose of delivering the mail pouch at any post office on its route or extend its journey to any post office located in city or village at either terminus. It was required to make terminal deliveries and to make detours en route that did not take it more than one-fourth of a mile from its regular road. Without interruption, from 1835 to 1913, the same services have been required from the railways, although their tracks of steel are highways from which their vehicles can not deviate. (Preliminary Rept., pp. 18–19; testimony, p. 118.) Postmaster General Meyer, on February 19, 1909, gave the annual value to the department of these services as $4,393,000 (testimony, p. 211) and Second Assistant Postmaster General Stewart declared that it would cost the Government "over $4,000,000 a year" (testimony, p. 17) to undertake them. These services probably cost the railways less than the aggregates stated, but they are costly and arduous, and in many cases their cost exceeds the payments for the routes on which they are rendered. (Preliminary Rept., p. 26; testimony, pp. 66–69, 129, 231, 254, 268, 570.) The railways do not wish to thrust upon the department the burden of services which would actually cost the latter more than they really

cost the former, and under proper conditions are not disposed to refuse responsibilities that increase the efficiency or diminish the cost of the postal service. They insist, however, that these services are not reasonably a part of the railroad transportation service, and can not lawfully be required of them as common carriers. Therefore, if they are to be further called upon to aid the postal service in this manner, they do not hesitate to urge that they ought to be specially and adequately compensated for all side and terminal services.

### E. REDUCTIONS OF MAIL PAY IN 1907 AND SUBSEQUENTLY UNWARRANTED.

Every considerable element in the cost of supplying railway transportation in any part of the United States has greatly increased since the year 1901. The wages paid to railway employees (and wages absorb little less than two-thirds of the aggregate expended for operation), have been repeatedly and greatly augmented; fuel has become much more expensive; locomotives and cars are more costly; the standards of service demanded by the public have been notably raised; employers' liability laws, hours of service laws, full-crew laws, etc., have increased operating expenses; taxes have been multiplied in amount and new and additional forms have been imposed; even the rates of interest demanded by investors have advanced. These factors operate with peculiar force as to passenger-train service, because of the increasing necessity for the use of steel cars in passenger trains, involving heavier trains, and consequently larger cost, and also involving larger investment. Recent legislation specifically requires the more extensive adoption of steel mail cars. Hence there is no conceivable justification for the reduction of any rate for any considerable volume of service, and especially of mail service, unless that rate was excessive before these changes occurred. The rates of railway mail pay were not excessive in 1901. The Congressional Joint Commission to Investigate the Postal Service, which reported on January 14, 1901, after a prolonged and exhaustive inquiry reached this conclusion. Its report shows that Senator William B. Allison, of Iowa; Senator Edward S. Wolcott, of Colorado; Senator Thomas S. Martin, of Virginia; Representative Eugene F. Loud, of California; Representative W. H. Moody, of Massachusetts; and Representative T. C. Catchings, of Mississippi, concurred in the following:

"Upon a careful consideration of all the evidence and the statements and arguments submitted, and in view of all the services rendered by the railways, we are of the opinion that 'the prices now paid to the railroad companies for the transportation of the mails' are not excessive, and recommend that no reduction thereof be made at this time." (S. Doc. No. 89, 52d Cong., 2d sess., pp. 19, 22, 25, 29.)

Notwithstanding the judgment above quoted, the railways were subjected to the heavy reduction provided for in the acts of Congress of March 2, 1907, and May 12, 1910 (testimony, pp. 98–99, 101–110), and by the Postmaster General's divisor order, No. 412, which superseded order No. 165 of March 2, 1907 (testimony, pp. 99–100). The annual reduction effected by the acts of Congress referred to amounted to $2,723,658.90, on the basis of the volume of mail transported on the respective routes from three to six years ago, and is now much larger, while the aggregate annual reduction effected by the divisor order on July 1, 1910, amounted to $4,941,940.34. The latter aggregate, if brought up to date, would also be greatly increased. The natural operation of the system of decreasing rates for increasing weights, supplemented by these unjustifiable reductions, reduced the percentage of postal revenues expended for railway services from 34.18 per cent in 1901 and 27.10 per cent in 1907 to 21.26 per cent in 1911. (See testimony and chart submitted by W. A. Worthington, testimony, pp. 341–342.) That a restoration of the rates in force prior to 1907 and the revocation of the divisor order are plainly required is most respectfully submitted. It should be noted that the Court of Claims of the United States, in Chicago & Alton Railroad *v.* United States, decided on June 2, 1913, held that the Postmaster General had no authority to impose the reduction effected by the divisor order.

### F. THE WEIGHT BASIS IS SIMPLE AND, WITH THE MODIFICATIONS ABOVE SUGGESTED, WILL BE FAIR BOTH TO THE GOVERNMENT AND TO THE RAILWAYS.

The present system of payment is based as to 90 per cent upon weight, and therefore utilizes the commonly accepted basis for charges applied to the movement of commodities by rail, while it has the least complexity possible in any system that would prove sufficiently elastic progressively to adapt itself to the varied and changing conditions of the service.

This system is easily understood or explained if it is borne in mind that it rests on the principle of (a) payment for the volume of mails transported, measured by weight and distance carried, and (b) payment for car space required for distribution in transit (at present, however, illogically and unjustly confined to car space not less than 40 feet long). About 90 per cent of the whole amount expended for rail-

way services is included under the first heading and the balance under the second heading.

The 90 per cent paid on the weight basis is expended under nine separate per mile per year rates, beginning with a rate for the least weight recognized and decreasing rapidly as the weight carried increases. The lowest rate is $19.24, applied to mail in excess of a daily per mile average of 24 tons, and to earn this rate the railway to which it is paid must carry a daily average of 1 ton 1 mile for an entire year, making the average rate per ton per mile 5.27 cents. A passenger on the same train, if he weighed 160 pounds and paid 2 cents per mile, would pay at the rate of 25 cents per ton per mile; if he paid 3 cents per mile it would be at the rate of 37.50 cents per ton per mile. Land-grant routes receive 80 per cent of these rates. The following table shows the standard rates and the proportions thereof to which land-grant routes are entitled:

| Average weight per mile per day in pounds. | Annual rate per mile of route. | Proportion of annual rate per mile of route allowed to land-grant routes. |
|---|---|---|
| 200 | $42.75 | $34.20 |
| 500 | 64.12 | 51.30 |
| 1,000 | 85.50 | 68.40 |
| 1,500 | 106.87 | 85.50 |
| 2,000 | 128.25 | 102.60 |
| 3,500 | 149.62 | 119.70 |
| 5,000 | 171.00 | 136.80 |
| Each additional 2,000 pounds up to daily average of 48,000 pounds | 20.30 | 16.25 |
| Each additional 2,000 pounds beyond average daily weight of 48,000 pounds | 19.24 | 15.39 |

Weights intermediate between those shown in the first column of the table are proportionately paid for, but no fraction of any unit weight is recognized unless it is sufficient to entitle the carrier to a payment of 85.5 cents.

In addition to the pay received at these rates for weight if a railway supplies car space on any train equal to 40 or more linear feet, such space being occupied by postal clerks who distribute the mails while in transit, for whose transportation no other charge is made, it receives pay for this additional facility at one of four rates per mile per year, the lowest rate being $25 for 40 feet and the highest $40 for 55 feet or more. The other rates are $27.50 for a 45-foot car and $32.50 for a 50-foot car. This is what is called R. P. O. pay.

Space pay amounts to about 10 per cent of the aggregate. No payment is made for less than 40 linear feet of space so occupied and used.

It is submitted that there is no real complexity in this scheme of payment. It rests primarily upon weight, a factor easily verified by either the Post Office Department or the railways, and therefore one that supplies a basis on which, if the rates are fair and the weighings are sufficiently frequent, the payments are necessarily and justly proportioned to the expansion or contraction of the services required. That small fraction of the aggregate which is paid for distributing space on trains is fairly proportioned to the amount of space required, and if supplemented by payment for precisely similar space utilized in apartment cars would also be reasonably just to the carriers as it is plainly not unfair to the Government.

POINT III.—The underlying principle of the plan embodied in Senate bill 7371 and in the modified plan substituted therefor (Preliminary Rept., pp. 109–111) is not correct.

The measure drafted by former Postmaster General Hitchcock (Preliminary Rept., pp. 109–111) and recommended by him as a substitute for his earlier proposals (Senate bill 7371) contains important concessions, already noted herein (p. 721), but it preserves the basic notion of an adjustment of rates to the estimated cost of each particular carrier. As there are 795 different railways which carry the mails, and as the cost would necessarily be different on each line, this would mean 795 different rates of payment. (Testimony, p. 44.) It would also mean that if the expenses of a particular line increased for any cause, including improvident management, or decreased by reason of especial efficiency, the payments would move correspondingly upward or downward. In other words, incompetence would receive a premium in the form of advanced pay, and merit would be penalized by reductions. Such results are not desirable, and would not justify the substitution of the new and untried cost basis for the weight basis that has borne the test of 40 years' experience.

### A. ASCERTAINMENT OF COST.

The large share of the time of the joint committee that was occupied in discussion of methods of apportioning the common expenses of railway operation and maintenance is itself proof that there is, at present, no generally accepted rule or formula for making the necessary assignments or for estimating to any close approximation the cost of any particular service. The record shows that, although the Interstate Commerce Commission, after attempting such an apportionment between the passenger and freight services, abandoned the effort some 21 years ago (testimony, pp. 628–629), it has recently sought suggestions as to methods that might produce satisfactory results.

A subcommittee of the American Association of Railway Accountants, consisting of Messrs. A. H. Plant, C. I. Sturgis, L. A. Robinson, M. P. Blauvelt, Frank Nay, C. M. Bunting, C. B. Seger, and R. A. White, all men of long experience in the field of railway accounting, adopted a resolution, in part, as follows:

"*Resolved*, That this subcommittee concurs in the view expressed by the special committee on corporate, fiscal, and general accounts in the year 1906, and that this subcommittee, after due and deliberate consideration, reiterates that no fixed rule for the division of common expenses between freight and passenger can be devised which will be equitable to all carriers, to the same carrier under all conditions, or to all divisions of the same carrier." (Testimony, p. 632.)

Mr. M. O. Lorenz, associate statistician to the Interstate Commerce Commission, clearly expressed the truth that, for the present at least, such apportionments can not rest upon any general rule having any more solid foundation than the judgment or opinion, or the arbitrary decision, of some authority. He testified, in part, as follows:

"In other words, how to determine the division of all the common expenses is not simply a question of accounting, but a question of justice, and that necessarily presumes adjustment by some one who is in a more or less judicial position, and I think very properly that would have to be made a matter of arbitrary decision, in the sense that a jury finally arbitrarily decides a case in view of all the facts as to what is right and what is wrong." (Testimony, p. 366.)

The foregoing simply expresses in another form the view stated to the joint committee by a member of the committee on railway mail pay, Mr. Worthington (testimony, p. 348), that in the present state of the art of railway accounting, such estimates "will vary with the person who makes the estimate."

Without questioning the utility of any particular efforts in the apportionment of expenses that have been made by anyone, or venturing any prediction as to the future success of the effort to formulate a general rule or system for such apportionments, this committee now asserts that to direct any governmental agency or any set of experts to ascertain the cost to every railway or to any group of railways of supplying mail transportation and services would now be, at the least, premature and unprofitable.

### B. THE SPACE BASIS.

This committee believes that a change from the present basis of payment, which is principally a weight basis, to a space basis would be ill advised and detrimental both to the Government and to the railways. The joint commission to investigate the postal service, which reported in 1901, recognized both the superficial plausibility of the space basis and the intrinsic imperfections that render it impossible of satisfactory application. The majority of the commission therefore reported against a change, while former Senator William E. Chandler, one of its members, in a separate report, stated some of the objections with convincing force. In part he said:

"Theoretically, payments to the railroads based upon the car space furnished in the trains would be the most nearly just. * * * But unfortunately for the method of paying for space, it so happens * * * that the system theoretically the best is practically the worst. If the railroad is to be paid for the number of mail cars which it hauls, no rules can be devised which will limit the number of cars used for a given weight of mail. If a railroad has 10 cars on its sidings ready for use, who is to determine whether 1, 3, 5, 7, 9, or all, shall be sent out with the mails presented for transportation? And the difference between hauling 2 tons in a car and 4 tons may make the annual compensation $40,000,000 instead of $20,000,000." (S. Doc. No. 89, 56th Cong., 2d sess., p. 31.)

Testifying before the same commission Prof. Henry C. Adams, employed by it as an expert in transportation economies and for more than 20 years statistician to the Interstate Commerce Commission, said:

"When we come to the question as to what ought to be the basis of a law fixing compensation, I should submit the opinion that weight is a better basis than space, for

three reasons. In the first place, it is the basis used in freight traffic, and on this account renders possible the comparisons between the tendencies in mail and freight traffic.

"* * * Now, if you adopt space as the basis of the law of compensation, you take a basis that is not used in railway practice excepting for the purpose of modifying general rates in the shipments of commodities. * * *

"Now, in the second place, if the ton be accepted as the basis of comparison, it is comparatively easy, by a process of differentials, to modify any rate per ton per mile so as to make allowance for special considerations, such as peculiar facilities, space, and the like. It is essential that a general law should rest upon some general course which has the same meaning under all conditions. You could proceed in this way, just as railroads do, making their general schedule, and putting here and there arbitraries in the exceptions to the schedules.

"A third reason is found in the fact that should the department desire to classify its own services for administration purposes as to dispatch, putting first-class matter upon different trains from second-class matter, and so forth, the ton mileage would, it seems to me, be the best basis of compensation. * * * weight seems to be a satisfactory basis." (Part 2, S. Doc. No. 89, 56th Cong., 2d sess., pp. 40–41.)

In another place, in the course of the same testimony (p. 27), Prof. Adams said:

"I regard the law of 1873 as superior to the suggestions made with regard to space."

Again, in his formal report to the joint commission, Prof. Adams said:

"Attention should, in the second place, be called to the fact that payment to the railways in proportion to facilities would probably result in an oversupply of facilities. It is true that the Post Office Department need not pay for more facilities than it demands, but when it is recognized that the reputation of the postal administration rests upon a quick and showy service rather than upon the introduction of economies in the service, it must be admitted that this check to extravagance is of relatively slight importance. Under the present law, which accepts weight as the basis of pay, the railways have a commercial motive in resisting as far as possible the demand of the Government for increased space, a motive which would of course be removed if payment were made in proportion to facilities. From the point of view of motive, therefore, it seems clear that greater economy would be obtained by a law which accepts weight rather than space as the basis of payment." (Part 2, S. Doc. No. 89, 56th Cong., 2d sess., p. 199.)

A further objection to such a change at the present time is found in the uncertainties concerning the future growth and development of the recently inaugurated parcel post. Until experience has shown how the addition of this new volume of mail is likely to affect the conditions of railway mail transportation it would be the worst of folly to admit any radical departure from a system that is thoroughly tried and comprehended. While earnestly protesting that the space basis would be detrimental and unsatisfactory both to the Government and the railways, this committee feels that it should also direct attention to the fact that, if adopted in any form, the railways would be placed wholly in the hands of the Post Office Department unless they were permitted to take any matters of dispute to some tribunal like the Interstate Commerce Commission. The direct interest of the Post Office Department in the matters that might lead to differences of opinion is so great that it is obvious that it ought not to have the last word where so much depends upon the judgment and there is so great opportunity for arbitrary action.

POINT IV.—The existing law has been in effect for nearly 40 years, and those who have worked under it are more or less familiar with its operations. If it were amended to correct serious inequities, as suggested under Point II, and fairly and impartially administered by the Post Office Department, it would be preferable to any untried or theoretical plan that could be proposed.

The truth of the foregoing proposition is largely self-evident. In so far as it requires argument or evidence both have been abundantly brought to the attention of the joint committee and some of the most salient points have been briefly referred to or summarized herein. It has been shown, on the basis of the compilations of the Post Office Department, as well as by the testimony of witnesses, that the railways are seriously underpaid. The way to the correction of the present system by removing present defects and inequalities has been pointed out. It has thus been made evident that the railways ought to receive pay for—

A. Distribution space on trains when such space is less than 40 linear feet as well as when it exceeds that limit (p. 725 herein).

B. For side and terminal service (pp. 725–726 herein).

C. For the mail tonnage they actually carry, to be secured by means of annual weighings (pp. 724–725 herein).

The justice of these proposals has been substantially admitted on this record on behalf of the Post Office Department. The railways therefore rely with confidence upon the record here made, and trust that the present investigation will be the occasion of a restoration of their mail service to a more nearly compensatory basis and of the relief which they have long sought.

Some general ideas advanced from time to time during the hearings call for a few words in conclusion.

One of these ideas is that the mail service, being a governmental function, ought to be performed for less than what would be a reasonable compensation for a similar service performed for persons other than the Government. The first observation on this idea is that no such principle is applied to anybody else. Any individual who works for the Government is paid for his services and in a great many instances he is paid more than he would be paid if he were performing similar service for a private employer. Again, it is a fundamental principle of the Constitutions, both Federal and State, that property shall not be taken for public use without just compensation. If a tract of land is condemned in order to obtain a site for a post office, the owner is entitled to the fair value of the land, notwithstanding the fact that it is to be used to promote the postal service. It is also a well-founded constitutional principle that to take the use of property without just compensation is the same as taking the property itself without just compensation. The Government could not appropriate the entire use of a railway to governmental service without making a fair compensation therefor; and likewise there is no basis for its appropriating a part of the use of the railway to the governmental service without making a fair compensation therefor. Again, in addition to these controlling constitutional principles, there can be no justifiable political or economic basis for the idea that the people who use the mails shall do so at the expense of the passengers and shippers who use the railways; and in the last analysis any inadequacy in the compensation made to the railways by the Government for the carriage of the mails must be made up by the railways in the charges imposed upon shippers of freight and upon passengers. This observation becomes even more obvious in connection with the recently established parcel post, which is principally used by merchants in the conduct of their ordinary business. Why should the man who ships by freight pay for the transportation service of the other man who ships by parcel post? There may be plausible arguments for a plan of taxing the entire people through the ordinary forms of governmental taxation in order to provide for the transportation by the Government of letters at less than cost; but there can be no pretext for compelling individuals who use transportation in other forms to pay for transportation for letters.

Another of these ideas is that the railway transportation of mail is a mere incident or by-product, and on that ground not entitled to full compensation. Certainly the passenger service as a whole is not a mere incident or a by-product and as a whole ought to yield, as far as possible, an adequate compensation for the property devoted to that use and for the services performed in that use. Yet there is no part of the passenger service which is of greater importance to the general public than the mail service. There is no part of the passenger service which imposes greater demands upon the railways for speed and certainty of operation of their passenger trains than is imposed by the mail service. Certainly a service which is of such paramount importance to the public, and of such an exacting and costly nature from the standpoint of the railway, can not in any proper sense be regarded as a mere incident or by-product.

Another way in which the idea here discussed is sometimes suggested is that if we assume that the railways did not carry the mail, the railway cost would be but little less than it is at present. Such an assumption is utterly inconsistent with the existence of the Post Office Department under present conditions. The railroads could exist without the postal service, but the postal service could not exist, in any modern sense of the term, without the railways. An assumption which is thus inconsistent with the very nature of the Post Office Department ought not to be indulged for the purpose of depriving the railways of a just compensation for carrying the mails.

The further idea has been advanced that on account of carrying the mails the railways enjoy the power of eminent domain and the protection of the Government in case of strikes, and that therefore they should carry the mail for less than what would be a full compensation therefor. The same reasons would apply equally to all other carrying functions of the railways. They enjoy the power of eminent domain because they are common carriers of passengers and freight and they enjoy the protection of the Federal Government because they are instrumentalities of commerce among the States. If these are reasons for their being paid less than full compensation for their services, the reduction of compensation can not be restricted to the mails. If the

power of eminent domain and the governmental protection operated as an excuse for giving the railways less than just compensation, then there would be no inducement whatever for anybody to invest his capital in the construction and operation of railways.

The railways owe to the public and to every member of the public the duty to transport all passengers and all commodities seeking their services efficiently and safely and at just and reasonable rates. This is the highest of obligations, and the sum of their obligations to the individual members of the public is their obligation to the Government. They owe no obligation to the State which is separate or apart from, or independent of, or inconsistent with their obligations to individual applicants for their services. They can have no obligation to the people's Government which could require them, except when necessary to the public defense, to discriminate in rates in favor of traffic offered by the Government when, in order to offset such unnecessary discrimination, they would be compelled to collect higher charges from some members of the public and upon other traffic. Words better adapted to the assertion of this principle could not be chosen than those used to express it by the Joint Commission to Investigate the Postal Service which reported in 1901. We quote:

"It seems to the commission that not only justice and good conscience, but also the efficiency of the postal service and the best interests of the country demand that the railway mail pay shall be so clearly fair and reasonable that while on the one hand the Government shall receive a full quid pro quo for its expenditures and the Public Treasury be not subjected to an improper drain upon its funds, yet on the other hand the Railway Mail Service shall bear its due proportion of the expenses incurred by the railroads in the maintenance of their organization and business, as well as in the operation of their mail trains." (S. Doc. No. 89, 56th Cong., 2d sess., p. 10.)

All of which is respectfully submitted.

COMMITTEE ON RAILWAY MAIL PAY,
By RALPH PETERS, *Chairman.*

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COMMITTEE ON RAILWAY MAIL PAY,
OFFICE OF THE CHAIRMAN,
*Pennsylvania Station, New York, June 26, 1913.*

MY DEAR SIR: I sent you to-day the brief, summing up the main points in favor of the railroads as brought out in the testimony taken at the hearings of your joint committee. It has taken us much longer to complete this summary than we had expected. The work was assigned to different members of our committee, and we succeeded in getting several very good presentations—one written from the editorial point of view after a most thorough study of all the testimony by one of our officers; another by Mr. Bradley, who went over all of the testimony and made a summary from the point of view of the practical mail expert; and the last and one which we have sent you, having been drafted by our counsel after a most careful study of all of the testimony. This last brief or summary was very carefully gone over at a meeting of a portion of our committee, who decided that this should go to you in order to avoid any further delay notwithstanding the fact that nearly all of us felt that if we had the time we could have combined the three summaries and perhaps evolved a better one.

Mr. Bradley's statement is so valuable that I am sending it to you, herewith, as a matter of information, whether you make use of it or not. It was prepared, as stated above, after a most careful study of all the testimony from the viewpoint of a man brought up in the mail service, and familiar with both sides of the question, and one who had attended all of the hearings and had heard all of the discussions, formal as well as informal, and therefore better equipped than any one else to make a digest of the points brought out by the investigation, and to sum them up in a way that should be of great service to your committee. If you care to put Mr. Bradley's statement in the record, in addition to the summary that we have already sent you, we would be very glad to have you do so, as we think it is too valuable to be left out.

Very truly yours,

RALPH PETERS, *Chairman.*

RAILWAY MAIL PAY—CONDENSED REVIEW OF THE MAIN QUESTIONS EXAMINED BEFORE THE JOINT CONGRESSIONAL COMMITTEE DURING THE HEARINGS FROM JANUARY TO MAY, 1913.

The subject of railway mail pay, which has been under consideration by the joint congressional committee for the past few months, may be briefly summarized under two questions:

I. Is the total amount inadequate, fair, or extravagant?

II. Is the amount properly apportioned between the railways?

The very valuable and interesting testimony taken under oath by your committee in its recent thorough and painstaking investigation supplies the answers to these questions. It will be the purpose of this final statement on behalf of the railways to present for your convenience a condensed account of what we believe has been demonstrated.

I. THE INADEQUACY OF THE TOTAL AMOUNT.

The railroads have contended for many years that the pay received from the United States Government for the transportation of the mails and for incidental services in connection therewith was not a fair return, and their argument has been sustained in the recent hearings in several different ways:

First. By comparing the relative return from each class of traffic on passenger trains.

It was shown by the figures gathered by all the railroads for the month of November, 1909, that all of the car space on the trains of 178,710 miles of railway was devoted to the three principal services, as follows:

| | Per cent. |
|---|---|
| Passenger service | 80.01 |
| Express service | 10.67 |
| United States mail service | 9.32 |

The actual earnings derived from the same services were in the following proportions:

| | Per cent |
|---|---|
| Passenger service | 83.26 |
| Express service | 9.66 |
| United States mail service | 7.08 |

Therefore, treating the three services as on an equality and overlooking for the moment the preference accorded to the United States mails and the special and unusual facilities provided for them, it appears that while the mails were chargeable with 9.32 per cent of all the car space, the pay was only 7.08 per cent of the total passenger-train earnings. It also developed that on the basis of a 60-foot car the earnings of each car per mile run was:

| | Cents per car. |
|---|---|
| Passenger service | 26.52 |
| Express service | 23.16 |
| United States mail service | 19.38 |
| All passenger-train service except United States mail | 26.10 |

Therefore, the express car paid 19 per cent more and the passenger car paid 37 per cent more than the mail car. Yet, in general, the passenger-train service is not regarded as a profitable service.

If the mail service yielded the same rate per car per mile as the rest of the passenger train, i. e., 26.10 cents, the total mail pay to the railways would have been increased over 34 per cent. The Government paid the railways in the year 1910 $49,405,311. If this sum had been increased 34 per cent it would have been $66,203,117, an increase of nearly $17,000,000.

Second. By comparing the ratio of railway-mail pay to postal revenues in 1901 and 1912.

On January 14, 1901, the Joint Committee of Congress for the Investigation of the Postal Service reported to Congress that "the prices now paid to the railroad companies for the transportation of the mails are not excessive," and recommended "that no reduction thereof be made at this time."

The postal revenues and the railway-mail pay then and now are as follows:

| Year. | Postal revenue. | Railway-mail pay. | Per cent. |
|---|---|---|---|
| 1901 | $111,631,193 | $38,158,969 | 34.18 |
| 1912 | 246,744,015 | 51,691,301 | 20.91 |
| Increase.....per cent.. | 120 | 35 | |

If the total amount of the railway-mail pay was not excessive in 1901, when it amounted to 34 per cent of the postal revenues, it is a fair presumption that it is too low in 1912, when it amounts to less than 21 per cent of the postal revenues.

The amount of work performed for the Post Office Department by the railroads has grown enormously in that period. The second-class mail has grown from 429,000,000 pounds to 939,000,000 pounds, an increase of 118 per cent, and it is evident that the other classes of mail have grown greatly, partly because of the rapid and frequent mail train service. The number of railway postal clerks employed by the Post Office Department on railway lines has increased 81 per cent.

If the railways received in 1912 34.18 per cent of the postal revenues, the amount would have been $84,337,104.33, or an increase of $32,000,000.

Third. *Measured by the cost of performing the service and a fair profit.*—The test instituted by the Post Office Department in November, 1909 (Document No. 105), to ascertain the cost to the railways of performing the mail service was faulty in its methods in the following principal respects:

(a) By omitting any return for the capital invested.

(b) By rejecting an amount of car space used for mails which should have been accepted as reported by the companies.

(c) By using its own specially made formula for dividing the railroad companies' expenses—a formula certain to minimize the amounts chargeable to the mail service.

(a) *By omitting any return for the capital invested.*—In the hearings of January 28, 1913, the Second Assistant Postmaster General announced that the Post Office Department had given further consideration to the subject and was convinced that some allowance should be made to cover the capital cost, and that this, when arrived at, would probably make the total amount greater than is now paid by the Government to the railways (pp. 8, 9, and 10). If this concession had not been made, the position of the Post Office Department in Document No. 105 would be that a railway could receive for the service only the money it actually spent out on account of that service plus 6 per cent, with no return whatever upon the working plant.

The capital cost, if calculated on the Post Office Department's figures (Document No. 105, p. 280), would take note of the fact that railway expenses and taxes chargeable to the mail service were $2,682,797.92, in comparison with total operating expenses and taxes (both freight and passenger) of $137,355,150.79, or 1.95 per cent. Hence the mail service should be charged with the use of 1.95 per cent of the total railway property having a net capitalization of $14,000,000,000, or a charge of $273,000,000. Interest at 6 per cent on this sum would require an annual payment by the Post Office Department of $16,380,000. Matching this against the finding of the Post Office Department of a saving to the Government of $9,000,000 per annum, it is evident that despite its rejection of essential car space and despite its special formula for dividing railway expenses, its own investigation shows an underpayment to railways of $7,000,000 a year.

(b) *By rejecting an amount of car space used for mails which should have been accepted as reported by the companies.*—After the railroads had reported that 9.32 per cent of all the car space was devoted to the United States mails, the Post Office Department reduced the ratio to 7.18 per cent. It has conceded in the recent hearings that most, if not all, of the rejected space should be restored to make a proper and just comparison. The representative of the Interstate Commerce Commission, responding to an inquiry of the chairman of the joint committee, said (p. 514):

"I can not see how there can be two opinions. It seems to me, just as you can not operate a freight service without hauling empty freight cars, and just as you can not operate passenger service without hauling empty space, you can not operate mail service without hauling empty space, and in comparing the various departments, either on cost or revenue basis, you should include all of the space used and unused which is hauled in connection with that service, and I can not understand, therefore, why on this particular point the Post Office Department should have rejected the dead space from the mails and put it in the passenger service. It seems to me they made a clear error."

The effect of restoring the mail-car space which the department had rejected would add about $10,000,000 per annum to the cost of performing the service by the railroad companies (p. 13).

(c) *By using a peculiar formula.*—The use of its special formula for assigning railway operating expenses to the freight service and to the passenger-train service, thus reducing the charges to the latter, and consequently to the mail service, produced a heavy reduction in the stated cost of performing the mail service. There is no available computation to reveal the total result for all the railroads combined, but, judging from the fact that in the case of a number of important railway systems the formula transferred from 10 to 20 per cent of the passenger-traffic expenses to the freight column, it seems to be a conservative statement to say that the use of the more standard practice would have added at least $5,000,000 per annum to the stated cost of the service.

To sum up under this heading, we find the total amount of railway-mail pay in 1909, as compared with a fair estimate of the total cost, deficient as to—

| | |
|---|---|
| (a) Portion of capital cost omitted | $7,000,000 |
| (b) Mail-car space disallowed | 10,000,000 |
| (c) Post Office Department formula | 5,000,000 |
| | 22,000,000 |
| Add value of transportation of postal officers and employees in passenger cars (p. 27) | 1,000,000 |
| Total | 23,000,000 |

*Fourth. Compared with growth of other railway traffic and earnings, 1901 and 1910.*—The year 1901 is taken because the joint congressional committee then made its report that the railways were not overpaid for mail service.

*Traffic.*

| | 1901 | 1910 | Increase. |
|---|---|---|---|
| | | | *Per cent.* |
| Freight: Tons carried 1 mile | 147,077,000,000 | 255,016,000,000 | 73.37 |
| Passengers, carried 1 mile | 17,353,000,000 | 32,338,000,000 | 86.35 |
| Mail: Tons carried 1 mile | 318,000,000 | 581,000,000 | 82.70 |

*Railway revenues.*

| | | | |
|---|---|---|---|
| From freight traffic | $1,118,000,000 | $1,925,000,000 | 72.18 |
| From passenger traffic | 351,000,000 | 628,000,000 | 78.92 |
| From mail traffic | 38,158,969 | 49,405,311 | 29.47 |

If the railway mail pay had increased in the same ratio as the freight revenue it would have been over $65,000,000 in 1910, instead of $49,405,311. If it had increased the same as the passenger revenue it would have been over $68,000,000. The fact that railway mail pay increased only 29 per cent, while the mail tonnage carried increased over 82 per cent, is due partly to the descending scale of pay prescribed in the law and partly to the law of March 2, 1907, making special reductions in the pay for transportation and postal cars, and partly to administrative action, such as the "divisor" order, etc. Whatever the cause, the railway mail pay in 1910 was at least $15,000,000 below the sum which the increase in other railway revenues would justify one in expecting.

*Summary as to adequate railway mail pay.*—The several comparisons and illustrations thus far set forth can now be summarized to show approximately the annual deficiency in the total amount of railway mail pay:

| | |
|---|---|
| 1. Measured by revenue from other car space on passenger trains | $17,000,000 |
| 2. Measured by the proportion of United States postal revenues used for railway mail pay in 1901 | 32,000,000 |
| 3. Measured by the cost of performing the service | 23,000,000 |
| 4. Measured by the relative increase in other railway revenues, 1901–1910 | 15,000,000 |

The proof seems to be conclusive that there is an underpayment of not less than $15,000,000 per year.

II. IS THE AMOUNT PROPERLY APPORTIONED AMONG THE RAILWAYS?

The committee on railway mail pay is fully aware from its own study of the subject during the past three years that the apportionment of the total amount among the various railroads is not entirely equitable, and that this is due as much to the deficiency in the total amount as it is to the method of apportioning it.

The measures of relief recommended in the letter of October 3, 1912, from the chairman of the committee on railway mail pay to the honorable chairman of the joint congressional committee are considered to be the most practicable method of correcting this condition of inequality.

In this respect it is necessary to take issue with the concluding statement made by the Second Assistant Postmaster General in his memorandum of January 17, 1913, in reply to the statement entitled "Mail Carrying Railways Underpaid" (pp. 97–108). He said:

"However, it should be further stated that the railroad committee on railway mail pay has entirely failed to notice a fact of fundamental importance shown in Document No. 105, namely, that under the present system of pay for railroad mail service the compensation that can be allowed under the law to some railroad companies is inadequate and probably less than the cost of performing the service. This feature of the results of Document No. 105 is, as we understand, undisputed by the railroad committee on railway mail pay. It is therefore difficult to understand how any system for compensating the railroad companies for carrying the mails can be considered the most desirable if it does not fully compensate each railroad company for the service rendered the Post Office Department. The present plan does not do this whilst the plan proposed by the Postmaster General in Document No. 105 seeks to do it."

Aside from the argument presented throughout the hearings that the plan proposed in Document No. 105 was not calculated to fairly compensate, let alone fully compensate, the railroad companies for the service rendered to the Post Office Department, it is believed that the present method of pay, based upon the weight of mail carried and the distance carried, is not only safer and more practicable for both the Government and the railroads, but it will, if modified as suggested in the letter of October 3, 1912, be more successful in correcting the inequalities now noticeable than the plan of payment based upon space and estimated cost set forth by the former Postmaster General in Document No. 105.

While it is no doubt generally believed that the short-line railroads are underpaid for the transportation of the mails, and it has been suggested that Congress was already impressed with this fact, there has been an impression that the railway trunk lines and the great railroad systems were either adequately paid or overpaid. This has been popularized by sensational articles which have appeared from time to time in the magazines dealing with certain superficial aspects of the subject without giving a sufficiently adequate statement of the case to do justice to both sides of the question. The announcement of the former Postmaster General in presenting Document No. 105 stating that the performance of mail service at the present rates is profitable to certain railroad companies and unprofitable to others and that through a readjustment of railway mail pay on the basis of cost with 6 per cent profit a saving to the Government could be made of about $9,000,000, also tended to produce the same erroneous impression.

In the testimony taken under oath before the joint congressional committee recently, it was shown (p. 329) that the—

Southern Pacific Railway System, operating 10,052 miles of mail routes and with annual mail pay for the year 1911 of $2,474,263, did not recover out of this sum the operating expenses chargeable to the mail service by $397,104, leaving, of course, nothing for taxes, fixed charges, or dividends.

The Pennsylvania Railroad System of about 9,800 miles of mail routes, and with mail pay for the year 1909 of $5,871,562, testified (p. 431) that the amount received did not cover operating expenses and taxes chargeable to the mail service by $348,462 per annum, and consequently made no contribution to the fixed charges, dividends, or surplus.

The Atchison, Topeka & Santa Fe Railway, with 9,300 miles of mail routes and receiving mail pay for the year 1909 of $1,914,804, testified (p. 526) that this amount was about $36,000 a year under the operating expenses, taxes, and fixed charges chargeable thereto, and consequently made no contribution whatever to dividends or surplus.

The New York Central Lines, with 10,042 miles of mail routes, and with mail pay for the year 1909 of $6,016,778, testified (p. 602) that the amount received barely cov-

ered operating expenses and taxes chargeable thereto and left nothing for interest upon the necessary investment in the property.

*Measures of relief.*—The definite recommendations made by the committee on railway mail pay in the letter of October 3, 1912, were:

(a) The repeal of the act of March 2, 1907, which reduced pay for heavy weights carried and reduced pay for full postal car service.

(b) For annual weighings and a definite and just method for ascertaining the daily average weights.

(c) For pay for mail apartment car service on a basis that would compensate for the service.

(d) A fair allowance for "side" and terminal messenger service.

(e) That all rates of pay should be definite and not subject to the discretion of the officers of the Post Office Department.

The short-line railroads would be benefited by most of this legislation, but especially by that described in (c) and (d). If suitable action be taken by Congress to grant a fair allowance to the railroads for "side" and terminal messenger service the relief to the short-line railroads would be especially great, because in many cases this service now absorbs a large proportion of their mail earnings, and in some cases their entire mail earnings. Further, if Congress would grant pay for mail apartment car service, this would also tend strongly to the relief of the short-line roads and probably make their pay remunerative.

The recommendations for annual weighings and for legislation to prescribe a fair daily average and definite rates of pay would also be beneficial to the short-line roads, and would also include a moderate measure of relief to the trunk lines which do not at present enjoy a compensatory rate.

The incidental services performed by the railways for the Post Office Department, such as those enumerated in the brief entitled "Weight or space" (pp. 624–627), are distinct from the transportation service and should not be left at the discretion of the Post Office Department, which claims that it is within its province to fix the terms upon which the railroad company shall perform service for the Government, which, if the company performs the service, it will be bound by. These auxiliary services should be defined in the law and an appraisal of their value included in the rate of pay, and there should be an inhibition upon the Post Office Department restraining it from demanding new and expensive service from the railways, without first estimating, in conference with the railways, the fair value thereof and then obtaining authority and an appropriation from Congress to cover the necessary outlay.

V. J. Bradley.

## RAILWAY MAIL PAY IN CANADA.

At the request of the chairman of the joint committee the State Department procured and under date of May 31, 1913, submitted a dispatch from Hon. John G. Foster, consul general, Ottawa, Canada, in relation to above heading. The dispatch reads as follows:

RAILWAY COMPENSATION FOR TRANSPORTATION OF MAILS.

OTTAWA, *May 23, 1913.*

The Canadian railways were paid during the fiscal year ended March 31, 1913 $2,046,110 for the transportation of mails.

This compensation is not based on weight of mails nor strictly on car space occupied, but is computed under two systems—one what is known as a track-mile basis and the other as a running mile.

Under the track-mile basis the department pays a certain fixed sum per annum for each mile of track used. Under such payment the department is entitled to use any and all passenger trains running over such track, irrespective of what railway company they belong to, and operate either a postal or a baggage car service, as the requirements of the department demand. The railway companies have to furnish postal cars as required with interior fittings.

The regular payment on a running-mile basis is 8 cents per running mile for a postal-car service. The company has to supply the postal cars and interior fittings.

The space furnished when postal-car service is required runs from 144 square feet (i. e., 16 by 9) to about 270 square feet. In two instances where mails are exceptionally heavy, requiring more space than 270 square feet, a rate of 12 cents per running mile is paid. The rates of payment for a baggage-car service are from 1 cent to 4 cents per running mile.

The following railway companies are partly paid on a track-mile basis:

GRAND TRUNK RAILWAY.

Between Levis, Quebec, and Windsor and Sarnia, Ontario, payment is made at the rate of $160 per mile per annum with $25,000 for additional services between Montreal and Toronto, and $7,500 for carrying United States mail through Canadian territory between Suspension Bridge and Windsor, the department paying for side services. Branch Grand Trunk lines are paid at the rate of $80 per track mile, the department paying for the side services. Branch lines built since the above arrangement was entered into are paid on a running-mile basis. The basis of payment to the Grand Trunk Railway was arranged in 1865, with a few subsequent changes.

CANADIAN PACIFIC RAILWAY.

Payment on main lines of the Canadian Pacific Railway between Fairville, New Brunswick, and Vancouver, British Columbia, is on a track-mile basis of $130 per mile per annum. The department has to pay for all side services and also for certain additional trains running over that section of the main line between St. John, New Brunswick, and Carleton Junction, Ontario. To that section of the Canadian Pacific Railway between Montreal and Quebec payment is at the rate of $100 per mile per annum, the department performing all the side services. The same payment is made between Ottawa and Prescott. All the other branch lines of the Canadian Pacific Railway system are paid on a running-mile basis.

### INTERCOLONIAL RAILWAY.

All parts of the Intercolonial Railway are paid for on a track-mile basis of $130 per mile per annum, the department paying for all side services except for that section between Chaudierre and St. Rosalie, Quebec, and between Millerton and Renous Bridge, New Brunswick, which is under the running-mile system.

The section of the Intercolonial Railway between Fredericton and Chatham, New Brunswick, is paid on the running-mile basis, as it was previous to its being acquired by the Intercolonial Railway.

### PRINCE EDWARD ISLAND RAILWAY.

This railway is paid on a track-mile basis of $76 per mile per annum, with 50 cents per running mile for special trains supplied during part of each winter, the department paying for all side services. The quantity of mail carried over this railway is necessarily small in comparison with nearly all other railways in Canada paid either on a track-mile or running-mile system.

Except the above mentioned, all other railways and branch lines are paid on a running-mile basis, as above set forth.

Such payment includes all branches of the Canadian Pacific Railway system and the Grand Trunk Railway system built since the track-mile basis was arranged.

Payment for railway service is not made on the basis of weight carried or space occupied except as above mentioned, and in so far as the Grand Trunk Railway is concerned there has been no readjustment of rates since 1865 and none as regards the Canadian Pacific Railway since 1895. No changes have been made in rates paid to other lines since same were put into operation.

The railway companies claim that the greatly changed conditions and increased business make the rates of compensation inadequate for present service, and for the past three years they have been strongly urging upon the Government a readjustment of compensation. The post office department officials admit that greater compensation should be given, and this whole subject is now under advisement.

I am informed that the department is opposed to compensation by weight. It is probable that some method of adjustment will be reached on the basis of compensation for car space occupied. The compensation for transporting mail is the same for all classes.

JOHN G. FOSTER,
*Consul General.*

## COMPARISON OF MAIL PAY FOR LOADED APARTMENT CAR MILE WITH FREIGHT EARNINGS PER CAR MILE (EQUIVALENT SPACE).

Under date of June 13, 1913, Mr. A. W. Anderson, general manager Charleston & Western Carolina Railway Co., addressed two letters to the chairman of the joint committee transmitting statements duly sworn to before a notary public on the subject matter of above heading and a summary of the figures presented by the railroads making same, which letters and summary, together with a letter from Dr. M. O. Lorenz, associate statistician, Interstate Commerce Commission, commenting on same, are in the order respectively stated, as follows:

AUGUSTA, GA., *June 13, 1913.*

MY DEAR SIR: I inclose a statement giving a comparison of mail pay per loaded apartment car mile, with freight earnings per car mile and per loaded car mile of equivalent space. In support of these figures I attach statements and affidavits to cover.

A member of your committee, Mr. Lloyd, in a hearing at Washington which I attended, several months ago, stated that our line was rather unfortunately located with reference to mail pay, and he asked if I did not so regard it. My reply was that what applied to our road applied to most of the local lines throughout our section, if not throughout the country, and that I believed that a comparison would show that others were faring, with reference to their mail pay, as badly as ourselves.

The statement comprises 12 roads, located throughout North Carolina, South Carolina, Georgia, and Tennessee, and were selected without any possible knowledge in advance of what the figures would show, except my own experience with local lines; that is, lines not handling through mail between large cities or from the Northeast through to other sections. I also endeavored to pick out, in the various States, roads with as much mileage as ours. The result, startling as it may be, shows that of the 12 roads, ranging in length from 71 miles to 640 miles each, with an average of 261 miles, that the mail revenue per loaded apartment car mile is but a little over one-third of the freight revenue per loaded car mile, based on the same space as the apartment cars, and with our road this is particularly astonishing in view of the fact that about 50 per cent of our traffic is coal, which carries the lowest average rate of any business that we handle.

The statement further shows that had the 12 roads on an average earned as much per mile, equal space, on their mail cars, occupied as they are by the Government's employee, for whom we are responsible, as they earned on their freight business for the same space, that their total mail revenue would have averaged $29,790.56 as against $17,283.25, or nearly twice as much.

Upon a careful analysis of the statement you will observe that the roads showing the higher rate per mail car mile is accounted for by the very small size of the apartments.

As I stated in my testimony before your committee, it is a well-known fact that if all of our business carried our lowest revenue per ton per mile that we would not earn enough to pay operating expenses, and I submit, therefore, to pay us about one-third as much per mile for handling the mail, including the care of a passenger, the Government's employee, as we earn on an average per loaded freight car mile, is indefensible from any point of view, and I am sure confiscatory.

Yours very truly,

A. W. ANDERSON, *General Manager.*

AUGUSTA, GA., *June 13, 1913.*

DEAR SIR: Referring to my letter of even date, attaching comparison of mail pay, etc.

I wish to explain that much of the statement consists of figures used simply to show the accuracy of the two important and rather startling, at least to my mind, facts that the railroads are being paid by the Government for handling the mail about one-third of what we earn for handling freight, and that had they been paid as much for handling the mail as they would have earned had the same space been used for freight, they would have been paid almost twice as much.

I believe that your committee, and especially Mr. Lloyd, will feel, from the showing made, that our road is not peculiar in that it is being underpaid, but instead that it is rather a common condition, at least throughout the southeast.

Yours very truly,

A. W. ANDERSON, *General Manager.*

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*Comparison of mail pay per loaded apartment car mile with freight earnings per car mile (equivalent space).*

| Road. | Miles of road. | Total freight revenue. | Total freight car miles, loaded and empty. | Freight revenue per freight car mile, loaded and empty. | Freight revenue per freight car mile, loaded. | Total mail revenue. |
|---|---|---|---|---|---|---|
| Charleston & Western Carolina Ry | 340 | $1,475,670.84 | 10,640,576 | $0.13869 | $0.22141 | $22,917.00 |
| Georgia & Florida Ry | 349 | 511,861.11 | 3,401,155 | .150 | .209 | 10,561.95 |
| Atlanta, Birmingham & Atlantic Ry | 640 | 2,405,340.83 | 27,143,192 | .08862 | .12789 | 45,342.59 |
| Norfolk Southern R. R | 608 | 2,189,600.29 | 12,131,158 | .18132 | .24520 | 37,090.80 |
| Tennessee Central R. R | 294 | 1,053,872.35 | 6,415,958 | .164 | .2143 | 27,683.74 |
| Gulf & Ship Island R. R | 308 | 1,427,619.76 | 6,593,063 | .21653 | .30690 | 28,459.77 |
| Carolina & North Western R. R | 134 | 300,526.70 | 775,294 | .387 | .50209 | 9,392.17 |
| Macon & Birmingham Ry | 105 | 104,625.08 | 624,916 | .16742 | .24004 | 4,761.55 |
| Wrightsville & Tennille R. R | 103 | 209,077.75 | 756,132 | .276 | .40538 | 7,204.94 |
| Macon, Dublin & Savannah R. R | 93 | 369,005.66 | 2,432,626 | .15169 | .20080 | 5,940.25 |
| Augusta Southern Ry | 83 | 130,253.10 | 532,290 | .244 | .33077 | 5,311.70 |
| Northwestern Ry. of South Carolina | 71 | 92,347.62 | 326,549 | .28280 | .41153 | 2,932.58 |
| Total | 3,128 | 10,269,801.09 | 71,772,909 | .14309 | .20366 | 207,599.04 |
| Average | 261 | 855,816.76 | 5,999,409 | .14309 | .20366 | 17,283.25 |

| Road. | Miles of road. | Total loaded apartment car miles. | Mail revenue per loaded apartment car mile. | Freight revenue per car mile based on the same space as in apartment cars. | Freight revenue per loaded car mile based on same space as apartment cars. | Total revenue from apartment cars if in freight service. |
|---|---|---|---|---|---|---|
| Charleston & Western Carolina Ry | 340 | 400,543 | $0.05721 | $0.08702 | $0.13893 | $34,855.25 |
| Georgia & Florida Ry | 349 | 354,040 | .042 | .095 | .1333 | 24,133.80 |
| Atlanta, Birmingham & Atlantic Ry | 640 | 932,575 | .04862 | .05585 | .0806 | 52,095.32 |
| Norfolk Southern R. R | 608 | 610,960 | .06071 | .12351 | .16703 | 75,459.67 |
| Tennessee Central R. R | 294 | 373,068 | .074 | .138 | .1807 | 51,483.38 |
| Gulf & Ship Island R. R | 308 | 386,099 | .07371 | .11923 | .16896 | 46,034.58 |
| Carolina & North Western Ry | 134 | 97,820 | .096 | .215 | .27894 | 21,031.30 |
| Macon & Birmingham Ry | 105 | 76,821 | .06198 | .08863 | .12708 | 6,808.65 |
| Wrightsville & Tennille R. R | 103 | 135,050 | .0533 | .116 | .17104 | 15,665.80 |
| Macon, Dublin & Savannah R. R | 93 | 135,780 | .04375 | .10653 | .14101 | 14,464.34 |
| Augusta Southern Ry | 83 | 112,277 | .0473 | .1079 | .14597 | 12,114.66 |
| Northwestern Ry. of South Carolina | 71 | 46,324 | .065 | .07210 | .10498 | 3,339.96 |
| Total | 3,128 | 3,561,357 | .05829 | .10038 | .14288 | 357,486.71 |
| Average | 261 | 297,780 | .05829 | .10038 | .14288 | 29,790.56 |

To illustrate the method by which the railroads indicated in the foregoing summary arrived at the figures presented, the statement of the Tennessee Central Railroad Co. is here inserted:

TENNESSEE CENTRAL RAILROAD CO.

[H. B. Chamberlain and W. K. McAlister, receivers.]

| | Miles. |
|---|---|
| Main line mileage | 253.27 |
| Number of branches, 4. | |
| Branch line mileage | 40.44 |
| Total mileage | 293.71 |

| | | |
|---|---|---|
| (*a*) Mail revenue for year | | $27,683.74 |
| (*b*) Miles run by apartment cars during year | | 373,068 |
| (Multiply mileage run each day by trains carrying apartment cars by the number of days during year that mail is carried.) | | |
| (*c*) Mail revenue per apartment car mile | cents | $0.074 |
| (Divide (*a*) by (*b*), carry result to 3 decimal places.) | | |
| (*d*) Freight revenue for year | | $1,053,872.35 |
| (*e*) Freight car miles run during the year: | | |
| Loaded | 4,916,876 | |
| Empty | 1,499,082 | |
| | | 6,415,958 |
| (*f*) Freight revenue per freight car mile | cents | $0.164 |
| (Divide (*d*) by (*e*), carry result to 3 decimal places.) | | |
| (*g*) Average floor area of mail apartments | square feet | 258 |
| (If the cars are of different dimensions, add together the areas of each apartment and divide the total by the number of apartment cars.) | | |
| (*h*) The floor area of average freight car is approximately | square feet | 306 |
| (*j*) Ratio of floor area of average freight car to floor area of average mail apartment | | 1.186 |
| (Divide (*h*) by (*g*), carry result to 3 decimal places.) | | |
| (*k*) Thus, the space devoted to mail service would have earned in freight service, cents per mile run | | $0.138 |
| (*l*) And, had the mail service been as profitable to the road as the freight service, the mail revenue for the year would have been, instead of the above | | $51,483.38 |
| (Multiply (*k*) by (*b*).) | | |

INTERSTATE COMMERCE COMMISSION,
DIVISION OF STATISTICS,
*Washington, June 19, 1913.*

HON. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

MY DEAR SENATOR BOURNE: In compliance with your request, I have examined the statements submitted to you by Mr. A. W. Anderson, general manager of the Charleston & Western Carolina Railway Co. The facts which he gives do not, in my opinion, warrant the sweeping conclusion "that the railroads are being paid by the Government for handling the mail about one-third of what they earn for handling freight." We may note, first, the minor fact that the fraction "one-third" is changed to "one-half" when the comparison is made with loaded and empty car-miles instead of simply loaded freight car-miles. But it is doubtless true that for the roads mentioned the earnings on a space basis are greater for freight than for mail under the present law. The roads studied by Mr. Anderson appear to have no full R. P. O. car service, the mail being carried almost entirely in apartment cars, for which no extra payment is made under the present law. This probably accounts for the relatively low earning for the mail on a space basis. A different result is obtained if we take the roads of the United States as a whole. We find they earn about 10 cents per freight car-mile, irrespective of whether loaded, empty, or caboose. This is about one-half as much as they earn for hauling a 60-foot postal car a mile. (Hearings No. 2, p. 324.) The average freight car is probably from 30 to 35 feet long, inside measure, so that on a lineal foot basis, the earnings in the two services would be similar, assuming the freight car to be half as long as the postal car. But if we take account of the load in

the cars, and make the comparison on the basis of gross weight of car and contents, the mail revenue would be decidedly higher than the freight, carload as well as less than carload freight being included. It will be recalled that Mr. J. A. Peabody testified (Hearings No. 3, p. 515) that per gross ton mile, less than carload freight on the Santa Fe earned decidedly more than the mail.

Respectfully,

M. O. LORENZ,
*Associate Statistician.*

## COMPARISON OF RELATIVE RATES PAID RAILROADS FOR TRANSPORTATION OF EXPRESS AND MAIL MATTER.

For the purpose of securing views with reference to the relative rates paid the railroad companies of the United States for the transportation of mail and express, the chairman sent a circular letter to various express companies, the committee on railway mail pay,[1] Short Line Railroad Association, American Electric Railway Association, and the Post Office Department.

The following is a copy of the circular letter:

DEAR SIR: In the consideration of the question of railway mail pay there has frequently arisen a question as to the relative rates paid to the railroads for transportation of express and of mail matter. It has been frequently asserted that the mail rates are much in excess of the express rates. I wish to ask you to advise the joint committee how the rates compare and in what particulars and to what extent the service rendered to the Post Office Department differs from the service rendered to the express companies. I wish this to include a statement of the difference, if any, in the amount of responsibility the railroad companies assume in case of injury to mail or express or employees.

Thanking you for your courtesy in the matter, I am,

Yours very truly,

JONATHAN BOURNE, Jr., *Chairman.*

The replies received by the chairman in response to the circular letter referred to are arranged in alphabetical order of the organizations answering same, as follows:

THE ADAMS EXPRESS CO.

[W. M. Barrett, president, 71 Broadway, New York City.]

MARCH 27, 1913.

MY DEAR SENATOR: I have given very careful consideration to your letter of March 13, 1913, submitting the question as to the relative rates paid to the railroads for transportation of express and of mail matter and conclude that it would be very difficult to make a reply of any value, because the basic conditions are so different.

The Adams Express Co. pays to the railroad companies over which it operates a certain percentage of its gross receipts upon all the business transported. As I understand the matter, the existing laws provide for the payment for mail traffic mainly according to the average weight of mail carried on each route, with a small additional allowance for extra space in full postal cars.

It would seem to me to make a comparison between the relative revenue to the railroad company from mail and express traffic it would be necessary to compare the transportation service for both classes of traffic on a common basis, either weight or space, and then estimate the relative amount of incidental or supplementary service rendered by the railroad company to the mail and to the express in connection with such transportation. Any such comparison would require an extraordinary amount of investigation and clerical labor and could be made more appropriately and much more effectively by the railroad company.

My general opinion is that the transportation service performed by the railroad companies for the express companies occasions less expense to the railroad company than does the mail traffic. I am also inclined to believe that the incidental services are more exacting in connection with the mail than in connection with the express. Further, there are certain reciprocal services which the express company renders to the railroad company which are not paralleled by anything I know of in the mail service.

It might be added that the express company assumes all loss or damage of whatever character arising out of its operations, including personal injury to and death of employees while traveling on the railroad.

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[1] The answer of the committee on railway mail pay by its president, Mr. Ralph Peters, will be found on pages 360 and 361 of volume 2 of the hearings had on Mar. 27, 1913.

### American Electric Railway Association.[1]

[A. R. Piper, 85 Clinton Street, Brooklyn, N. Y.]

March 21, 1913.

Dear Sir: In reply to your favor of March 13, 1913, please note that the following figures have been taken from the monthly statement of this road, and I think will give you the information that you desire.

At the present time on independent railway post-office cars, electrically driven, we are paid 1 cent per linear foot for inside measurement of car. We have two sizes of cars in use, and are paid respectively 19.58 cents per mile and 15.5 cents per mile. The larger size cars, that is, the 19.58, were formerly used in express service in hauling express for the American Express Co. Later they were converted into mail cars and are now in service of the post office.

The following tabulation shows you by year the revenue paid this company by the express company, the mileage made by the car, and the rate per car-mile paid us:

| Year. | Revenue. | Miles. | Per mile. |
|---|---|---|---|
| 1905 | $43,612.52 | 162,041 | $0.27 |
| 1906 | 51,612.61 | 173,815 | .298 |
| 1907 | 57,875.12 | 179,405 | .322 |
| 1908 | 59,231.08 | 154,989 | .382 |

### American Express Co.

[James C. Fargo, president, 65 Broadway, New York City.]

March 26, 1913.

Dear Sir: We duly received your favor of the 13th instant, asking for certain comparative information in respect of railway and express rates of payment on mail and express traffic and regret our inability to comply with your request for the reason that no reliable data is available to us in respect of the compensation received by railroad companies for carriage of the mails.

### Northern Express Co.

[J. M. Hannaford, president, St. Paul, Minn.]

April 11, 1913.

Dear Sir: Your letter of March 13, asking question as to the relative rates paid to the railroads for transportation of express and mail, duly received.

The difficulty in making a comparison between the two classes of service is in securing a satisfactory unit or basis. The compensation paid by the express company to the railway company is based on the gross revenue of the former regardless of weight, space occupied, or distance carried. If it could be known what the revenue of the Government is on mail carried on lines over which the Northern Express Co. operates, a comparison could be made on that basis; but this can not be known, and as from the nature of the express business, the weight of the latter for any given period can not be known, a comparison can only be based on the space occupied relatively by the two classes of business.

For the year ending June 30, 1912, the records of the Northern Pacific Railway Co. and the Northern Express Co. show as follows:

| | |
|---|---|
| Car-foot miles used in express business | 360,859,668 |
| Proportion of total car-foot mileage.....per cent.. | 7.894 |
| Car-foot miles used in mail service | 336,000,737 |
| Proportion of total car-foot miles.....per cent.. | 7.35 |
| Compensation paid by express company to railway (equal to $3.56 per 1,000 car-foot miles) | $1,283,352.39 |
| Compensation received by railway company from Post Office Department (equal to $2.92 per 1,000 car-foot miles) | $981,528.33 |

[1] While the circular letter was addressed to Mr. Piper as one of a subcommittee of the American Electric Railway Association, the figures presented in his letter refer only to his own road; namely, the Brooklyn Heights Railroad Co.

In the matter of responsibility assumed, the railroad companies are held responsible for all damage to mails and injuries to Post Office Department employees, etc.

In the express company's contract with the railway the latter is relieved from liability for loss of or damage to any article transported in any of the said cars for the express company arising from theft, robbery, mob violence, or fire, or from any other cause, save the gross negligence or willful misconduct of the agents, servants, or employees of the railway company.

We also pay rentals for the use of all station space set apart for the express company; as an illustration, we pay $6,000 annually at the King Street Station, Seattle.

POST OFFICE DEPARTMENT.

[Hon. Albert Sidney Burleson, Postmaster General, Washington, D. C.]

The following letter was addressed to Hon. Albert Sidney Burleson, Postmaster General:

In the consideration of the question of railway mail pay there has frequently arisen a question as to the relative rates paid to the railroads for transportation of express and of mail matter. It has been frequently asserted that the mail rates are much in excess of the express rates. I presume the matter of express rates is one which does not come within the knowledge of your department, and full information on that point we can secure from the Interstate Commerce Commission. I wish to ask you, however, to advise the joint committee in what particulars and to what extent, so far as the information is available, the service rendered to the department differs from the service rendered to the express companies. I wish this to include, if practicable, a statement of the difference, if any, in the amount of responsibility the railroad companies assume in case of injury to mail or express or employees. Thanking you for your courtesy in the matter, I am

Yours very truly,

JONATHAN BOURNE, Jr., *Chairman.*

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POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., July 25, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, Congress of the United States.*

MY DEAR MR. CHAIRMAN: I hand you herewith a memorandum prepared by the Second Assistant Postmaster General in response to your inquiry respecting differences between the requirements imposed upon the railroad companies in the performance of mail service, as compared with similar requirements in the performance of service for express companies.

Yours very truly,

A. S. BURLESON, *Postmaster General.*

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POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
*Washington, July 25, 1913.*

POSTMASTER GENERAL:

In reply to the inquiry of the chairman of the joint committee on postage on second-class mail matter and compensation for the transportation of mails respecting the differences between services rendered by railroad companies to the Post Office Department in transporting the mails and to express companies in transporting express matter, I have the honor to advise you as follows:

Mr. V. J. Bradley, representing the Pennsylvania Railroad Co., submitted to the commission a statement of "Differences in the requirements imposed upon the railroad companies in the performance of United States mail service as compared with similar relations in the performance of service for the express companies," which is printed on pages 437 and 438 of the hearings. The matter is there treated under 17 different headings of subject matter and the statement as to each subject set forth with reference to the service performed for the Post Office Department and service performed for the express companies.

With respect to the statements concerning the services performed by the railroad companies for the express companies, the department has not the official information to verify them.

With reference to that part of the statement regarding the Post Office Department, it is subject to amendment or further elaboration, as follows:

1. *Contracts.*—The terms of the contract between the Post Office Department and the railroad company are fixed by the postal laws and regulations not inconsistent with law and the orders of the Postmaster General respecting them. The railroad company undertakes to carry the mails upon these terms and becomes subject to such laws, regulations, and orders by performing the service.

2. *Differences.*—Differences between the Post Office Department and the railroad companies are subject to consideration and readjustment through the administrative officers of the department.

3. *Pay adjustments.*—The Postmaster General is authorized by law to make readjustments of pay for carrying the mail on railroad routes not less frequently than once in every four years and is authorized to weigh the mails for that purpose. The contract period has usually been fixed at four years, and it is the theory of the law and of the practice under it that all increases in the weight of mails during the contract term are adequately compensated for by the statutory rates fixed.

4. *Transportation facilities.*—The law provides that every railway company carrying the mail shall carry on any train which may run over its road all mailable matter directed to be carried thereon, with the person in charge of the same, and that the Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed.

5. *Car space.*—For closed pouch service and storage mail the Post Office Department requires only the space which is necessary for the proper transportation of the same. For the distribution of mails en route it requires a car or apartment in a car specially fitted for the same. This latter requirement is provided for by law. When the needs of the service require 40 feet or more linear space in the car the law permits payment for the space in addition to the payment for the transportation of the mails.

6. *Railway post-office cars; mail apartment cars.*—The law requires that all cars or parts of cars used for the Railway Mail Service shall be of such style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, and lighted by and at the expense of the railroad companies.

7. *Construction; maintenance.*—The law requires cars to be sound in material and construction, and equipped with sanitary drinking water containers and toilet facilities; that after the 1st of July, 1917, all full railway post-office cars paid for shall be of steel or steel underframe, or equally indestructible material; and that all new cars accepted for the service and contracted for by the companies after August 24, 1912, must be of steel.

8. *Loading and unloading.*—The railroad companies load and unload the mail cars.

9. *Employees accompanying traffic en route.*—The law provides that railroad companies shall carry the mail, with the persons in charge of the same. Practically this means the carriage of the railway postal clerks who distribute the mails en route.

As to liability for injury or death of clerks it is understood that the courts hold the companies to the same degree of responsibility that they are held with reference to passengers.

10. *Station room.*—The regulation requires that railroad companies at stations where transfer clerks are employed shall provide suitable and sufficient rooms for handling and storing the mails, and without specific charge therefor. These rooms are to be lighted, heated, furnished, supplied with ice water, and kept in order by the railroad company.

11. *Side and terminal messenger service.*—The regulations require every railroad company to take the mails from and deliver them into all terminal post offices, whatever may be the distance between the station and post office, except in cities where other provision for such service is made by the Post Office Department. The company is also required to take the mails from and deliver them into all intermediate post offices and postal stations located not more than 80 rods from the nearest railroad station at which the company has an agent or other representative employed.

12. *Free or reciprocal service.*—The Post Office Department does not render any free or reciprocal service to railroad company.

13. *Mail cranes and mail receivers.*—At all points at which trains do not stop where the Post Office Department deems the exchange of mails necessary, a device for the receipt and delivery of mails satisfactory to the department must be erected and maintained. The erection of the crane may be obviated by the stopping of the train to make a safe delivery if the company so elects.

14. *Advance loading of railway post-office cars.*—The Post Office Department requires the placing in terminals of cars for distribution purposes in advance of their leaving time where such advance distribution is necessary in the handling of local mails for points near the initial terminal and to avoid such mails being carried past destination.

15. *Handling traffic.*—The Post Office Department requires the railroad company to handle the mails excepting when they are in charge of railway postal clerks, which handling is paid for under the compensation allowed for the transportation of the mails.

16. *Responsibility for loss or damage.*—The loss, or rifling of, or damage to registered and other mail is investigated by the chief inspector. In case the facts establish responsibility for loss upon the mail carrier by reason of the failure or negligence of such person, company, or corporation, or that of his or its agents and employees, the chief inspector makes a demand upon the contractor for the amount of the loss. If said loss be not paid, the facts are reported and disciplinary fines imposed. If the chief inspector determines that further proceedings shall be had, he submits all facts to the Assistant Attorney General for the Post Office Department, who advises whether suit shall be brought by the United States for the recovery of the amount involved. If it is determined that suit shall be brought, the request is made upon the Solicitor of the Treasury to take appropriate action.

17. *Fines and penalties.*—The law provides that the Postmaster General may make deductions from the pay of contractors for failure to perform service according to contract, and imposes fines upon them for their delinquencies. The regulations provide for fines for specific delinquencies set forth therein.

JOSEPH STEWART,
*Second Assistant Postmaster General.*

## SHORT LINE RAILROAD ASSOCIATION.

[John N. Drake, secretary and treasurer, 1419 F Street NW., Washington, D. C.]

WASHINGTON, D. C., *April 24, 1913.*

DEAR SIR: In conformity with your request to advise the joint committee how the mail rates compare with express rates on our mail-carrying railroads, I annex hereto a statement covering such rates from the roads which have filed reports with us; also a statement of the cost of terminal and side deliveries in performing messenger service.

If this report is lacking in any detail, or it is your desire that the officials of any of the roads named appear before your committee, kindly advise me.

### STATEMENTS OF VARIOUS ROADS.

BELLEFONTE CENTRAL RAILROAD, operating between Bellefonte and State College, Pa., 19.51 miles:

| | |
|---|---|
| Total mail compensation received | $1,167.67 |
| Mail-messenger service | 370.00 |
| Making the amount received for the mail service | 797.67 |

The express service performed by the Adams Express Co. over the same route pays $1,738 in cash, also 26.66 per cent of the salaries of the joint-train baggage and expressman, in addition to paying $540 per year as their proportion of the railroad station employees' salaries, making a total per year of more than $2,500. The express service pays in excess of the mail $1,702.33.

BUFFALO, ROCHESTER & PITTSBURGH RAILWAY, operating eight mail routes between the following points: (1) 289.21 miles between Rochester, N. Y., and Butler, Pa., 64 round trips weekly; (2) 1.11 miles between Silver Lake Junction and Silver Lake, 33 round trips weekly; (3) 48.22 miles between Buffalo and West, N. Y., 34 round trips weekly; (4) 5.10 miles between Lanes Mills and Coal Glen, Pa., 18 round trips weekly; (5) 26.55 miles between C. & M. Junction and Clearfield, Pa., 13 round trips weekly; (6) 44.69 miles between Butler and Pittsburgh, Pa., 13 round trips weekly; (7) 33.93 miles between Indiana Junction and Indiana, Pa., 14 round trips weekly; (8) 18.89 miles between Ridge Junction and Iselin, Pa., 12 round trips weekly.

This service requires the use of five mail apartment cars covering the following number of miles daily, except Sunday: Two 30-foot apartment cars, 326 miles each; one 25-foot apartment car, 156 miles; one 25-foot apartment car, 208 miles; one 20-foot apartment car, 144 miles. Total, 1,160 miles per day, or 353,080 apartment car miles for year 1912.

Three extra combined mail and baggage cars in addition to those used are held in reserve.

Three all-steel apartment cars were installed in August, 1912, and three have since been ordered, so as to equip all through trains with steel equipment. The cost of the new steel mail and baggage cars combined is $10,356.61, while the cost of straight baggage cars is $9,306.44. It is thus seen that the additional cost of a combined car for the mail service is $1,050.17 in excess of a baggage car.

The use of these cars fitted up for mail purposes, heated, lighted, and iced, is given without one penny being paid for the use of the car for post-office purposes. In addition, mail messengers are carried free.

The mail revenue received for the year 1912 was $50,247.21. Out of this amount there was paid in cash for side and terminal deliveries for messenger service, $1,865, and for employees' time there was charged $1,500, making a total of $3,365, leaving the net amount received for the mail service $46,882.21. The revenue from express carried on the same trains was $82,558.39.

The express earnings as thus shown were $35,676.18 in excess of the mail earnings.

In connection with this, the railroad has entered into a new express contract taking effect May 1, 1913. By the terms of this contract the road is to receive a minimum revenue of $100,000 per year.

The relative earnings per cent of mail and express in 1912 were: Mail, 0.0474; express, 0.0780.

Passenger train mileage for year ending 1912 was 1,317,794 miles, on all of which mail in some form was carried.

Attention is called to Document 105, submitted by the Postmaster General to Congress, in which, on pages 272–273, there is shown by the department's own figures that this railroad's loss in carrying the mail was $1,746.15 per month.

THE BLOOMSBURG & SULLIVAN RAILROAD CO., operating between Bloomsburg, Pa., and Jamison City, Pa., 29 miles:

Apartment car, also pouch service is employed in carrying the mail.

| | |
|---|---|
| The amount received for mail transportation for year ending June 3, 1912 | $1,830.40 |
| Cost of mail delivery | 120.00 |
| Net revenue received by the road | 1,710.40 |
| The revenue received from the express company in cash | 2,263.87 |
| The express company also paid as its proportion of the baggageman's salary | 240.00 |
| Making a total of | 2,503.87 |

The revenue from the express service exceeded that received from the mail by $793.47.

The car space occupied by the express company is very considerably less than the space used for the mail; with that space, without extra compensation, the road furnishes a post office on wheels fitted up at its own expense with the following accommodations: Hot and cold water for washing purposes, iced drinking water, toilet, light, and heat.

BUTTE, ANACONDA & PACIFIC RAILWAY, between Butte and Anaconda, Mont., 25.67 miles, four round trips seven days a week, with a daily average of 2,827 pounds. The mail service is performed in two (19½ feet) apartment cars on four trains daily, also in closed pouches on four other trains. The closed pouches range from 24 to 62 pouches daily, and the average pouch weight handled is 700 pounds, by the road's baggagemen. The pouch service on this road, if charged at the express company's rate, would yield $1,500 per year.

| | | |
|---|---|---|
| The total compensation received for apartment cars and pouch service is, gross | | $3,187.28 |
| Mail messenger service at terminals on the route costs: | | |
| Butte | $900.00 | |
| Anaconda | 720.00 | |
| Side deliveries: | | |
| Silver Bow | 39.96 | |
| Durant | 17.76 | |
| Gregson | 13.32 | |
| | | 1,691.04 |
| Thus leaving the road, for all the mail service performed during the year, net | | 1,496.24 |
| Express earnings were, net | | 7,702.58 |
| The express earnings exceeds the mail earnings, per year | | 6,206.34 |

CENTRAL RAILROAD CO. of Pennsylvania, between Bellefonte and Mill Hall, Pa., 26.13 miles. There are six round trips with messenger service in a 15-foot mail compartment car and 15 round trips with closed-pouch service. The daily average weight of mail is 173 pounds.

| | | |
|---|---|---|
| The annual compensation is, gross | | $1,198.28 |
| The mail messenger service at terminals and side stations costs as follows: | | |
| Bellefonte | $108.00 | |
| Hublersburg | 39.00 | |
| Clintondale | 42.00 | |
| Mill Hall | 108.00 | |
| | | 297.00 |
| Leaving the net amount received for the service | | 901.28 |
| Express earnings | | 1,732.04 |
| Express earnings exceed mail earnings | | 830.76 |

The road earns, per car mile, for passengers, 14.24 cents. Its earnings from mail, per car mile, for the apartment car (15 feet), is 2.62 cents, or about the fare of the Government clerk in charge of the mails.

COUDERSPORT & PORT ALLEGANY RAILROAD, between Port Allegany and Ulysses, Pa., 39 miles; 12 round trips weekly, with a daily average of 534 pounds of mail. Mail route 110144.

The mail service is performed in a 12-foot mail apartment car, also pouch mail on four trains each week day; two trains Sunday between Port Allegany and Coudersport. The average number of mail sacks handled per day is 22, weighing 398 pounds. The pouch service on this road, if charged at the express company's rate, would yield $1,491.25.

| | | | |
|---|---|---|---|
| The total compensation received for apartment-car space and pouch-mail service is, during the year 1912 | | | $2,556.24 |
| The mail messenger service at terminals on the route costs: | | | |
| Port Allegany | $180.00 | | |
| Ulysses | 162.00 | | |
| | | $342.00 | |
| Side deliveries: | | | |
| Burtville | 60.00 | | |
| New Field Junction | 120.00 | | |
| Mina | 100.00 | | |
| | | 280.00 | |
| | | | 622.00 |
| This leaves the road, net, for the entire service | | | 1,934.24 |

Of all the passenger-car space on this road, 119 feet are devoted to passengers, 14 feet to express, and 17 feet to mail. Of the entire passenger-car space, 79⅓ per cent is devoted to passengers, 9⅓ per cent to express, and 11⅓ per cent to mail.

The American Express Co. operates over the line. The total cash receipts from the expesss company are $2,165.66. The express company also pays, as its share of the salaries of joint trainmen, $780. It also pays a percentage of the station agents' salaries ($960) for handling the express and carries free local packages and remittances from the railroad.

The total value, in money, to the railroad company from the express company amounts to $3,905.66, compared with $1,934.24 received for carrying the mails, while the mails require 11⅓ per cent of the passenger-train space, compared with 9⅓ per cent devoted to express.

Applying to the total passenger expense the percentage of space in passenger trains devoted to the mails (11⅓ per cent), the cost of mail transportation on this road is $6,644.75, while the net earnings from mail were $1,934.24.

The transportation of the mail messenger for the distance he travels during the year (48,828 miles), at 3 cents a mile, the regular rate, if paid for, would net the road $1,468.84.

DENVER, LARAMIE & NORTHWESTERN RAILROAD CO., between Milliken and Greeley, Colo., 12.69 miles; daily average of mail, 13 weekly round trips.

This service is performed in combination cars devoted to mail, passengers, express, and baggage.

| | | |
|---|---|---|
| The total compensation received for carrying mail is | | $542.40 |
| Mail messenger service at terminals on the route costs: | | |
| Milliken | $96.00 | |
| Greeley | 72.00 | |
| | | 168.00 |
| Which, when deducted from the amount received, leaves | | 374.40 |

The Adams Express Co. operates over this line. The revenue yielded from the express service averages $4,220.51 per year. The express company also performs service for the railroad in transporting agents' remittances along the road. A separate service for this work on the part of the road would require a bonded messenger.

The revenue from the express company nets the road $4,220.51 per year, against $374.40 received for mail transportation.

EAST BROAD TOP RAILROAD & COAL CO., operating two mail routes between the following points:

Route 110085, between Mount Union, Pa., and Robertsdale, Pa., 29.6 miles.
Route 110185, between Rockhill Furnace, Pa., and Neelyton, Pa., 9.3 miles.
Total mileage, 38.9.

| | |
|---|---|
| Amount received for mail transportation over both roads | $1,819.20 |
| The cost in mail deliveries for messenger service over these routes is | 823.43 |
| Leaving the net amount received by the road for mail | 995.77 |
| The express company pays the road in cash $2,654.07; also pays the railroad's employees $1,511.55, making a total of | 4,165.62 |
| The express-service revenue to the railroad and its employees exceeded the amount paid for mail service | 3,199.85 |

FLORIDA RAILWAY, between Live Oak and Perry, Fla., 52 miles, seven round trips and six round trips on 22 miles of the route. Mail route 123047.

The mail is carried between Live Oak, Fla., and Perry, Fla., in an apartment car 17 feet long, with a postal clerk in charge. On the 22-mile route, between Live Oak and Mayo, the service is pouch mail.

The average weight of mail per day is 200 pounds.

| | | |
|---|---|---|
| The compensation received for the service, gross | | $2,195.64 |
| Deliveries at terminals cost per year as follows: | | |
| Live Oak, Fla. | $84.00 | |
| Mayo | 84.00 | |
| Perry | 84.00 | |
| | | 252.00 |
| Leaving the road, net, for the service performed | | 1,943.64 |
| Express earnings | | 3,470.00 |
| Express earnings for the year exceed mail earnings | | 1,526.36 |

Between Live Oak and Mayo, Fla., 22 miles, six round trips weekly, four pouches of mail are carried daily. The road would charge a private shipper 75 cents a pouch, or $3 per day, for this service, which requires delivery to and from the post offices.

The actual cost to us for lights for apartment car and for heating the car, cleaning, water and ice, repairs, interest on cost of car, and depreciation is 3 cents per mile, and, as the car runs 51,768 miles per year, such actual cost is $1,553.04; our actual pay is $1,943.64.

FONDA, JOHNSTOWN & GLOVERSVILLE RAILROAD, operating between Fonda and Northville, N. Y., 33 miles:

| | |
|---|---|
| Total mail compensation received | $3,147.72 |
| Mail messenger service at terminals deducted | 540.00 |
| Leaves the amount received for mail compensation during the year 1912 | 2,607.72 |

The express service performed over the same route paid in cash during the same period, $15,829.47. The express service netted the road $13,221.75 in excess of the mail.

In addition to the revenue the road received from the express company its employees received for handling express matter for the year ending June 30, 1912, the sum of $1,293.36.

GEORGETOWN & WESTERN RAILROAD, between Lanes and Georgetown, S. C., 36 miles, six weekly round trips in one apartment car with a mail messenger; one round trip of closed pouch service on Sunday. Mail route 120020.

The averageweight of mail handled, for which pay is allowed, is 595 pounds.

| | | |
|---|---|---|
| The total compensation received, gross | | $2,473.92 |
| Deliveries at terminal and side stations cost as follows: | | |
| Georgetown | $300.00 | |
| Rosemary | 96.00 | |
| Lanes | 96.00 | |
| Taft | 60.00 | |
| Trio | 60.00 | |
| Employees' extra time | 318.00 | |
| | | 930.00 |
| Leaving the road, net | | 1,543.92 |

The employees' extra time in handling the mail is based upon the percentage of time actually given to the service.

The cost of fitting up the apartment space in the car for post-office purposes was $380, but this does not include any part of the cost of the car. The lighting, heating, etc., cost, per year, $167.50.

The cost, per car mile, of handling the apartment car space is 6 cents per car mile. The annual mileage the car is hauled is 49,494 miles, and estimating the cost of hauling at 6 cents per mile the actual cost is $2,969.64; the pay, less messenger cost, is $1,543.92.

The number of miles, per year, traveled by postal clerks is 49,494 at a rate of 2 cents per mile; this would amount to $989.88.

The express company paid, the last fiscal year, $3,083.25. They also paid the train baggageman per year and a commission to station agent at Andrews, S. C., $60 per year, making a total of $3,623.25 against $1,543.92 paid in carrying the mail.

LOUISIANA & ARKANSAS RAILWAY, between Hope, Ark., and Minden, La., 78.26 miles, seven round trips weekly, Minden, La., to Alexandria, La., 116.87 miles, seven round trips weekly. Mail route 149023.

Between Packton, La., and Jena, La., 29.07 miles, seven trips per week. Mail route 149045.

Between Minden, La., and Shreveport, La., 30.78 miles, seven round trips per week. Mail route 149073.

The mail service is performed in two apartment cars with postal clerks, the car space used in each 18 feet; also a pouch service on other trains.

| | | |
|---|---|---|
| The total compensation received for the mail service is, gross (year ended Feb. 28, 1913) | | $15,611.38 |
| The messenger service for mail delivery is as follows: | | |
| | Per year. | |
| Hope, Ark | $120.00 | |
| Minden, La | 96.00 | |
| Alberta, La | 60.00 | |
| Alexandria, La | 240.00 | |
| | 516.00 | |
| The proportion of the time consumed by railroad employees in delivering mail at other points along the routes is estimated at $132.25 per month, for $1,587 per year | | 2,103.00 |
| This leaves the net amount received for carrying the mail | | 13,508.38 |

The value of the mail apartment car space, compared with the total value of the car, is about $1,600 each. The cost, however, of fitting up the space for post-office purposes is $350 each.

The annual cost of heating, icing, lighting, and cleaning the mail apartment space, based on its proportion of the entire car expense, is $155.

The road carries over its three routes 61 pouches daily. To handle these pouches at the express rate would cost $5,565.25 a year.

The Southern Express performs the express service over the road, and pays in cash $12,159.29. It also paid seven-eighths of the salaries of joint train baggage and express men employed by the road, except in the case of one man, to whom they paid one-half of his salary. To the railroad station agents they paid $2,472. The express company paid $1,142.91 more than the mail, aside from the salaries paid joint trainmen.

LANCASTER & CHESTER RAILROAD, between Lancaster and Chester, S. C., 29.58 miles, including terminals; six weekly round trips in two apartment cars 9 by 9 each, with mail messengers and six weekly round trips with closed pouches handled by train baggagemen. Mail route 120013.

| | | |
|---|---|---|
| The total compensation received for the service is, gross | | $1,292.80 |
| Deliveries at terminals and side stations cost as follows: | | |
| Chester | $120.00 | |
| Richburg | 48.00 | |
| Fort Lawn | 48.00 | |
| Lancaster | 120.00 | |
| | | 336.00 |
| Leaving the road for mail service, net | | 956.80 |

At Lancaster the mail is delivered by an employee of the road, and 10 per cent of his salary is charged ($120) to mail delivery. Cash for delivery is paid at the other points.

There are from four to five closed pouches taken out of Chester and four out of Lancaster, also one out of Fort Lawn and one into Fort Lawn on two trains a day. A minimum charge for this service would be $1 per train, or $626 per annum.

Of the three classes of traffic, mail occupies 9 linear feet, express 7½ linear feet, and passenger and baggage 77½ linear feet, a total of 94 feet.

The number of miles traveled by postal clerks is 18,154. The regular legal rate of fare is 3 cents per mile, which would make the cost of their transportation $544.62.

The Southern Express operates on this road. There is no minimum nor any agreement in regard to their charges. The express company pays in cash $1,327.07. They also pay one-half of baggageman's salary, amounting to $240, and a commission to station agents amounting to $466.35, besides carrying railroad packages free; a service worth altogether $1,000 a year.

The revenue from express and the service rendered the road exceed that from the mail $2,076.62.

Applying to the total passenger expense of $17,542.39 its proportion of the total operating expenses of the road ($170,169.55), the percentage of space in passenger trains (one-tenth) devoted to mail costs $1,754.24, with no pay for pouch service.

MARYLAND & PENNSYLVANIA RAILROAD CO., operating between York, Pa., and Baltimore, Md., 77.1 miles, 12 round trips weekly; also between Dallastown Junction, Pa., and Dallastown, Pa., 0.8 mile, 12 round trips weekly.

Two mail apartment cars used, 15 feet by 9 feet, carrying postal clerks. Pouch mail is also carried on the trains.

The amount received from the Post Office Department during three months ending March 31, 1913, for handling mail, $1,493.22.

The messenger service for mail delivery cost in cash for the three months ending March 31, 1913, as follows:

| | | |
|---|---|---|
| Towson | $30.00 | |
| Woodbine | 30.00 | |
| Bridgeton | 15.00 | |
| | | $75.00 |

The side deliveries made by employers of the road charged at one-tenth of the salary paid for the service during the three months was as follows:

| | | |
|---|---|---|
| Loch Raven | $13.50 | |
| Glenarm | 12.00 | |
| Baldwin | 15.00 | |
| Fallston | 15.00 | |
| Felton | 13.50 | |
| Yoe | 15.00 | |
| Dallastown | 13.50 | |
| Red Lyon | 18.00 | |
| | | 115.50 |
| Total cost of messenger service | | 190.50 |

This leaves the net amount received for carrying the mail three months, $1,302.72.
The net amount received from the express during the three months was $2,740.58.
The revenue from the express exceeded the revenue from mail, $1,437.86.

The total length of passenger equipment (not including locomotives) operated on the schedule during the three months was 1,595 lineal feet divided as follows:

Passenger coaches, 1,210 lineal feet, 75.9 per cent of total length; baggage and milk, 285 lineal feet, 17.9 per cent of total length; express, 40 lineal feet, 2.5 per cent of total length; mail, 60 lineal feet, 3.7 per cent of total length; total, 1,595 lineal feet, 100 per cent.

Cost of running passenger trains, 34.96 cents per mile.

Total mileage made by passenger trains on schedule in effect during above-mentioned period, 58,751 miles.

| | |
|---|---|
| Cost of running passenger trains during period mentioned | $20,539.35 |
| Cost of repairs to passenger cars during period mentioned | 2,555.88 |
| Cost of cleaning passenger cars during period mentioned | 647.82 |
| Cost of heating passenger cars during period mentioned | 250.00 |
| Maintenance of way expenses during period mentioned, $16,551.52; total car and engine mileage during period was 437,821 miles, of which passenger car and engine mileage was 253,290 miles or 57.8 per cent of total mileage, and this percentage of maintenance of way expenses is properly chargeable to passenger service | 9,567.78 |
| Total operating expenses chargeable to passenger service | 33,560.83 |

NOTE.—This total does not include switching service in yards, cost of passenger equipment, depreciation, traffic, or general expenses.

From the figures given the following is deduced:

| Equipment. | Length in feet. | Total length. | Proportion expenses chargeable. | Revenue from. |
|---|---|---|---|---|
| Coaches | 1,210 | 75.9 | $25,474.19 | $32,196.39 |
| Baggage and milk | 285 | 17.9 | 6,007.75 | 12,443.33 |
| Express | 40 | 2.5 | 839.07 | 2,740.58 |
| Mail | 60 | 3.7 | 1,241.82 | 1,302.72 |
| | 1,595 | 100.0 | 33,562.83 | ..... |

| | |
|---|---|
| Net mail revenue as above | $1,302.72 |
| Expenses | 1,241.82 |
| Leaving | 60.90 |

The expenses thus deducted include only the actual cost of running the mail apartment and do not include any general expenses, a proportion of which is properly chargeable to this service; also note that no charge is made for considerable quantities of pouch mail carried, as it is difficult to accurately ascertain this. If all the costs attending the service were added, the expenses of mail carriage would largely exceed the revenue.

JNO. WILSON BROWN, *President.*

STATE OF MARYLAND,
*City of Baltimore, ss:*

Be it known that on this 20th day of May, 1913, before me, the undersigned, a notary public of the State of Maryland, in and for the city of Baltimore, duly commissioned and qualified, came John Wilson Brown, president of the Maryland & Pennsylvania Railroad Co., and made oath in due form of law that, to the best of his knowledge and belief, the matters and facts set forth in the aforegoing statement are true.

In witness whereof I hereunto subscribe my name and affix my notarial seal on the day and year above written.

[SEAL.] WILLIAM J. ROTH, *Notary Public.*

MUNISING, MARQUETTE & SOUTHEASTERN RAILWAY, operating two mail routes, one between Munising, Mich., and Princeton, Mich., 45.72 miles, and one between Lawson, Mich., and Big Bay, 50.84 miles.

| | |
|---|---|
| The total mail revenue received for the year 1912 was | $4,748.12 |
| The mail messenger service for side and terminal deliveries was | 835.20 |
| Leaving the net amount received by the road | 3,912.92 |
| The express service earnings over the same routes was | 7,015.25 |

The express service revenue netted $3,102.33 in excess of that received for carrying the mail.

In addition to this the express company allows the railroad company $40 a month for the services of the train baggagemen acting as express messengers. This, if added to the cash revenue received from the express company by the railroad, would make the express revenue exceed that for carrying the mail $3,582.33.

The express company also pays the agents of the road 10 per cent of the earnings on in-and-out business. They also assume liability for injury to express messengers, with no responsibility in handling express matter.

The railroad alone is responsible for injury as to United States mail employees.

OKLAHOMA CENTRAL RAILWAY CO., between Frisco Crossing and Chickasha, Okla., 88.94 miles; seven weekly round trips. Average daily weight is 224 pounds. Route 153047.

Between Ada and Frisco Crossing, Okla., 3.20 miles; seven weekly round trips. Average daily weight is 80 pounds. Route 153048.

The service is performed in two apartment cars, but an extra car is maintained, at the road's expense, as a relief car to be used in case of emergency.

The space used for the mail in these cars is 15 feet each.

| | | | |
|---|---|---|---|
| The total compensation received is, gross | | | $4,091.07 |
| The mail messenger service costs: | | | |
| | Per year. | | |
| Ada, Okla | $120.00 | | |
| Chickasha, Okla | 180.00 | | |
| | | $300.00 | |
| At Vanoss one-eighth of the employees' time is charged | 60.00 | | |
| Stratford, one-twenty-fifth | 28.80 | | |
| Washington, one-tenth | 72.00 | | |
| | | 160.80 | 460.80 |
| Leaving the net amount received | | | 3,630.27 |

The annual mileage of mail apartment cars is 67,262.

The proportion of passenger car space devoted to passengers, express, and mail is as follows:

Passengers, 77.5 per cent; express, 6.3 per cent; baggage, 6.3 per cent; mail, 9.9 per cent.

The number of miles traveled by postal clerks is 67,262 per year; at 2 cents per mile this would be $1,345.24.

The American Express operates over the line and paid for the service, in the last fiscal year, $2,546.79 in cash; $420 in salaries to joint baggage and expressmen; $1,062.51 for station agents' salaries, and performed work for the railroad amounting to $1,000, making a total of $5,029.30 from the express service against $3,631.27 for carrying the mail.

For the past year the average number of passengers carried per car was 12. The actual earnings per car-mile for carrying passengers was 36 cents.

The earnings per car-mile for apartment car space was 5 cents.

PITTSBURGH, SHAWMUT & NORTHERN RAILROAD, between Wayland and Moraine, N. Y., 11.98 miles, 18 weekly round trips pouch service, weight of mail 200 pounds. Mail route 107038.

Between Hornell and Olean, N. Y., 76.40 miles, weight of mail 282 pounds per day, six weekly round trips over 66.27 miles and 18 weekly round trips over 10.13 miles pouch service. Six weekly round trips over 76.40 miles with a mail compartment car and postal clerk. Route 107139.

Between St. Marys and Shawmut, Pa., 25.43 miles, weight of mail 333 pounds per day, six weekly round trips pouch service, and six weekly round trips compartment car with postal clerk. Route 110282.

Between Brockport and Ramsaytown, Pa., 31.88 miles, weight of mail 200 pounds per day, six weekly round trips pouch service, and six weekly round trips compartment car with postal clerk. Route 110204.

Between Norman and Conifer, Pa., 4.23 miles; weight of mail per day 38 pounds, six weekly round trips pouch service, six weekly round trips compartment car. Route 110290.

Between Paine and Force, Pa., 10.87 miles; weight of mail per day 51 pounds. Twelve weekly round trips, pouch service. Route 110238.

Between Carmen and Hallton, Pa., 10.89 miles; weight of mail per day, 120 pounds. Route 110221.

| | |
|---|---|
| The annual compensation received for carrying the mail over all routes is, gross | $8,144.40 |

| The mail messenger service costs as follows: | Per year. | |
|---|---|---|
| Wayland, N. Y. | $120.00 | |
| Hornell, N. Y. | 168.00 | |
| Olean, N. Y. | 120.00 | |
| Garwoods, N. Y. | 120.00 | |
| St. Marys, Pa. | 300.00 | |
| Boliver, N. Y. | 96.00 | |
| | | 924.00 |
| Leaving the road for the mail service, net | | 7,220.40 |

The car space occupied by the mail in each apartment car is 15 feet. One additional car is provided for an emergency. The average cost of fitting up the cars for post-office purposes with metal is $773.51 each. This does not include the proportionate cost of the full car.

The annual cost for lighting, icing, heating, and cleaning each car for the space used is $97.32. This estimate is based on the average cost per car of the service for all passenger cars, $317.92 per year.

Fifty-eight pouches of mail are handled daily on 152 miles of pouch train service, making a total of 18,154 pouches per year. At 25 cents per pouch, the minimum package freight rate, this would earn $4,538.50 per year. The number of miles traveled by postal clerks during the year was 86,896 miles. At 2 cents per mile the value of the service would be $1,737.92.

The United States and the Adams Express Cos. perform the express business over the line.

The cash compensation for the service is $5,214. In addition to this, the express companies pay in salaries of joint train baggage and expressmen, $2,484.28. They also pay in salaries to station agents $1,800 and render service to the railroad valued at $350 per year, making the total amount derived from express $10,048.28, against $7,220.40 received for carrying the mail.

The express paid in excess of mail $2,767.88.

ROSCOE, SNYDER & PACIFIC RAILWAY, between Roscoe and Fluvanna, Tex., 49.76 miles, seven round trips weekly, all pouch mail. Daily weight of mail, 359 pounds. Mail route 150137.

| | | |
|---|---|---|
| The total compensation received for the mail service is, gross | | $2,680.07 |
| The cost of mail delivery is as follows: | | |
| | Per year. | |
| Roscoe, Tex. | $54.75 | |
| Hermleigh, Tex. | 60.00 | |
| Fluvanna, Tex. | 96.00 | |
| | | 210.75 |
| Leaving for the mail service, net | | 2,470.32 |

The amount charged against mail delivery at the above points is one-tenth of the wages of the railroad employees doing the work; they are paid $1.50 a day. The road charges out of this at the rate of 15 cents per day to mail delivery.

The Pacific Express operates over this line and pays in cash $2,000 per year; they also pay $360 per year to joint train baggage and express men and in salaries to station employees $800 per year, making a total of $3,160 received for the express service, against $2,470.32 for mail.

WABASH, CHESTER & WESTERN RAILROAD, operating between Mount Vernon, Ill., and Menard, Ill., 64.83 miles. Apartment car with postal clerk and pouch service is used over this route.

| | |
|---|---|
| Total mail compensation | $3,768.63 |
| Cost of side and terminal deliveries | 374.00 |
| Net amount received for mail service | 3,394.63 |
| The express service performed over the same route paid in cash | 3,354.11 |
| They also paid for services of railroad employees | 2,000.00 |
| And performed services for the road amounting to | 96.00 |
| Making a total for express revenue of | 5,450.11 |

The express service, as a matter of fact, pays the road $2,055.48 in excess of mail, as the amount paid its employees by the express company reduces by $2,000 the amount the road would otherwise have to pay in order to maintain the same standard of efficiency.

## The Globe Express Co.[1]

[Joel F. Vaile, general counsel for the Denver & Rio Grande Railroad system and counsel for the Globe Express Co.]

Denver, Colo., *June 14, 1913.*

Hon. Jonathan Bourne, Jr.,
*United States Senate, Washington, D. C.*

Dear Sir: Under date of March 13 you addressed a letter to Mr. Charles H. Schlacks, president of the Globe Express Co., at San Francisco, Cal., making certain inquiries concerning comparison between mail rates and express rates, and as to the extent in which the service rendered to the Post Office Department differs from the service rendered to the express companies, with a statement of difference as to the amount of responsibility assumed by the railroad companies in case of injury to mail or express or employees.

Your letter, after divers references by officers, came to me as counsel for the express company.

As it seemed to me the inquiries were not such as could be fully answered by an express company; but as I am general counsel for the Denver & Rio Grande Railroad Co. I prosecuted certain inquiries from a railroad standpoint and received information that came to my desk at a time when I was greatly pressed with other very important matters, with the result that reply to you has been long delayed. I very greatly regret this delay, and trust that it has not been a matter of inconvenience to you.

I now hand you herewith a letter from the manager of the Globe Express Co., and also a letter from the general auditor of the Denver & Rio Grande Railroad Co. The latter will give pretty full information in response to your inquiry.

Begging pardon for delay in response, I am,

Very sincerely yours, J. F. Vaile.

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The Globe Express Co.,
*Denver, Colo., April 10, 1913.*

J. F. Vaile, Esq.,
*General Counsel, Denver & Rio Grande Railroad.*

Dear Mr. Vaile: Referring to your letter of the 9th instant attached and copies of correspondence, in which information is asked relative to the handling of United States mail by the Denver & Rio Grande Railroad, I beg to state that I am not familiar with the questions asked by Senator Bourne as to the pay the railroad receives for handling of mail matter. I believe that General Auditor Murphy would be in a better position to give you such information as is requested than this company.

Any information that Mr. Murphy may want so far as we can give, I will be glad to assist him.

Yours truly, D. D. Mayo, *General Manager.*

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The Denver & Rio Grande Railroad Co.,
*Denver, Colo., April 11, 1913.*

Mr. J. F. Vaile,
*General Counsel.*

Dear Sir: Replying to yours of April 9 concerning the inquiry of Senator Bourne as to the relative rates paid to the railroad for transportation of express and mail traffic. Under the direction of the Postmaster General measurements in car-foot miles were taken for the month of November, 1909, to determine the relative space used for passenger service, mail service, and express service. The results on the Denver & Rio Grande were:

| | Per cent. |
|---|---|
| Passenger | 88.06 |
| Mail | 5.20 |
| Express | 6.74 |

[1] The correspondence under this heading will disclose that the officials of the express company were unable to give the informations called for in the circular letter, and the inquiry was referred to its counsel, Mr. Joel F. Vaile, who in turn referred same as general counsel for the Denver & Rio Grande Railroad system to the general auditor of that system, who responded by a presentation of a comparison between the mail and express business, from a railroad standpoint, as applicable to the Denver & Rio Grande Railroad system.

Passenger expenses for the month of November, 1909, were subdivided on this basis, and the results, as published on page 276 of Document 105, Sixty-second Congress, first session, are shown in the following statement in the first column, headed "Mail." We have used the same formula to figure out the results for express traffic. These are shown opposite in the second column, headed "Express."

| November, 1909. | Mail. | Express. |
|---|---|---|
| Denver & Rio Grande operating revenue | $25,481.90 | $44,812.35 |
| Denver & Rio Grande expenses and taxes | 20,275.40 | 26,280.04 |
| Denver & Rio Grande net revenue | 5,206.50 | 18,532.31 |
| Revenue per car-foot mile | .005410 | .007336 |
| Expenses and taxes per car-foot mile | .004305 | .004302 |
| Net revenue per car-foot mile | .001105 | .003034 |

The Postmaster General did not take into account rental of road, yards and terminals, and interest on funded debt, which for the month of November, 1909, amounted to $390,662.26, of which $5,560.06 is the proportion chargeable to mail traffic on the formula used in dividing expenses, and $7,206.70 chargeable to express traffic on the same formula. It will be observed from the above figures that the rates paid to the Denver & Rio Grande Railroad Co. for transportation of express matter are much in excess of the rates paid for transportation of mail, and that after assigning to mail traffic its share of income charges, the operations were conducted at a loss.

The following statement shows the ratio of return on property invested in mail service and express service for the fiscal year ended June 30, 1912:

| Denver & Rio Grande Railroad Co. | Mail. | Express. |
|---|---|---|
| Operating revenue | $294,515.90 | $496,818.27 |
| Operating cost | 284,116.76 | 375,083.34 |
| Net return from operation | 10,399.14 | 121,734.93 |
| Property investment | 2,317,478.85 | 2,884,651.18 |
| Ratio of return on property.....per cent.. | 0.45 | 4.22 |

The amount shown as operating cost includes expenses, taxes, rents, and hire of equipment. The property investment is the book value of road and equipment June 30, 1912, after deducting depreciation on equipment and adding value of material and supplies on hand. The apportionment to mail and express traffic is based upon the car-foot mileage in November, 1909, no other measurements having been taken.

There has been a considerable increase since January 1, 1913, in space used by the Post Office Department and a decrease in the space used by the express company, owing to the parcel-post business now being carried in the mails. The decrease in express packages weighing 11 pounds and less is 30 per cent. The increase in mail is considerably greater than the decrease in express for the reason that the volume has largely increased, owing to the inauguration of the lower parcel-post rates. The railroad company, while bearing a loss in revenue from the decrease in express shipments, receives no compensation for the additional facilities provided for the mail traffic.

There is no difference in the railroad company's responsibility in the case of injury to mail or express or to employees.

Yours truly, E. R. MURPHY, *General Auditor.*

SOUTHERN EXPRESS CO.

[T. W. Leary, president, 71 Broadway, New York City, N. Y.]

MARCH 28, 1913.

DEAR SIR: Absence has prevented earlier response to your inquiry of 13th concerning the relation of rates paid for the transportation of mail and of express matter.

Without definite knowledge of the precise character of facilities and accommodations and extent of the service, furnished the Post Office Department, or the rates of pay received and obligations assumed by the railroad companies in carrying the mails, it is, I beg to say, impracticable for us to make the suggested analysis.

Respectfully yours,

T. W. LEARY, *President.*

UNITED STATES EXPRESS CO.

[E. T. Platt, vice president and general manager, 2 Rector Street, New York City, N. Y.]

NEW YORK, *March 19, 1913.*

DEAR SIR: Replying to yours of the 13th instant (postmarked Mar. 15, 11 p. m.) in regard to relative rates paid to the railroads for transportation of express and mail matter, which was received a day or two ago:

I have not at my command Government or railway data from which the information you desire can be produced, and would not know where to look for such.

There are many officials in the Government service who must be qualified to do this work; it is certainly beyond me.

WELLS, FARGO & CO.

[B. D. Cardwell, president, 51 Broadway, New York City.]

NEW YORK, *March 26, 1913.*

DEAR SIR: I note your favor of the 13th instant, advising that in the consideration of railway-mail pay there have arisen questions relative to the rates paid transportation companies for the transportation of mail matter, and asking us to advise the committee how the rates and service compare.

I regret that we are not in a position to give you any information at first hand as to mail pay, since we have no accurate knowledge as to the rates paid the railway companies for transporting mail matter, nor as to the exact character of the service rendered by the railroads or the liability assumed by them in case of injury to mail or employees. Have no doubt that you can obtain the information from the railroads, in view of their direct relations with the Post Office Department.

WESTERN EXPRESS CO.

[W. S. Stout, general manager, Toronto, Canada.]

TORONTO, CANADA, *March 20, 1913.*

DEAR SIR: I beg to acknowledge your letter of the 13th addressed to Mr. E. Pennington, president Western Express Co., in reference to comparison of amount received by the railway companies for transportation of express and mail matter, which will receive prompt attention.

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TORONTO, CANADA, *April 18, 1913.*

DEAR SIR: Further referring to your letter of March 15 addressed to the president, I beg to say that this company pays to railway companies over which it operates 45 to 55 per cent of the gross earnings and assumes all claims for loss and damage to express matter and for death or personal injury to employees. I have no particulars as to the amounts the railways receive or the responsibility they assume in connection with mail matter.

Yours truly,

W. S. STOUT, *General Manager.*

## COSTS AND PROFITS TO THE RAILROAD COMPANIES IN THE TRANSPORTATION OF MAIL.

The following letter, together with a pamphlet entitled "The Mail Pay on the Chicago, Burlington & Quincy Railroad," prepared in accordance with requests of the Post Office Department, by Mr. W. W. Baldwin, vice president Chicago, Burlington & Quincy Railroad Co., indicating the costs and profits to his company in the carriage of mail, is submitted:

[Chicago, Burlington & Quincy Railroad Co. Office of Vice President.]

BURLINGTON, IOWA, *February 19, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: In the course of the hearing before your commission to investigate railroad mail pay some inquiry was made why railroad companies do not lay before you detailed statements showing the costs and profits in this branch of their business.

I beg to say that this has been done. For an illustration I call attention to a pamphlet entitled "The Mail Pay on the Burlington Railroad." This pamphlet is based upon the space and expense figures which we sent to the Post Office Department for the month of November, 1909. It cost the Chicago, Burlington & Quincy thousands of dollars to collect this information and put it in tabulated form. Mr. De Witt and myself spent many days compiling and comparing it in order to insure accuracy and in the preparation of the pamphlet.

It covers every question of cost and space and earnings and explains in detail how the work was done. It shows the financial results not only upon the road as a whole but upon five typical mail routes carrying, respectively, a daily weight of 216, 282, 1,303, 8,087, 19,727, and 192,540 pounds, in order to show the varying features of the service on small and large mail routes.

It then, in the appendix, exhibits the results upon our system disclosed by each of the forms (2601, 2602, 2603, and 2605) submitted to us by the department. It collates the results of cost and expense and earnings in the carriage of passengers and of express and of the mails, and discusses them all.

Copies of this pamphlet were sent to every Member of Congress. How many Members do you think found the time to read it? I sometimes think that a lurid headline in Mr. Debs's Age of Reason newspaper, entitled "Railroads robbing the Government $9,000,000 a year in mail transportation," influences more public opinion than the most careful statements of fact which the railroad companies can prepare.

In the three volumes of the hearings before the Wolcott Commission, embracing hundreds of pages, you will find elaborate and detailed statements showing every feature of expense and earnings and service prepared with great care by many railroads. There will probably never be a more thorough and painstaking showing made by the railroads of the country regarding their mail business than appears there in print. It is supplemented by the elaborate compilations and arguments of Prof. Henry C. Adams, acting for the Government.

The commission was practically unanimous in the view that the prevailing public opinion was all wrong and that the rates of compensation were reasonable. Prof. Adams said that if the department could not and would not load the mail cars more economically and densely he would withdraw any suggestions for a reduction.

But what did it all amount to? The department soon thereafter issued the arbitrary and illegal divisor order, reducing mail pay about $5,000,000 a year and gave as a reason that the railroads were being overpaid. Congress then took a hand; so that our rates have, by all these various measures for cutting the pay, been reduced almost 20 per cent, while wages and all other expenses have increased.

And now that public sentiment is again said to claim that we are overpaid $9,000,000 a year we are asked: "Why do you not furnish the facts as to the cost and earnings and profits of your mail business?"

I appreciate the courtesy which your commission has shown in this investigation and take pleasure in sending to each member a copy of the pamphlet to which I have referred.

Mr. Peters has prepared and printed for his company a similar showing and sent copies to all Members of Congress.

The exact recent and present situation, as placed before the railroad companies, has not been the general question of earnings and cost and profits, but the specific questions raised by Document 105, to which they were asked to make reply, involving theories of "space" and whether the opinions of department officials on what is "cost," furnish correct and reliable principles upon which to base just rates of compensation for carrying the mails.

I am confident we shall all be glad to furnish you with any further information that is within our power to give, and beg to subscribe myself,

Yours respectfully,

W. W. BALDWIN.

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THE MAIL PAY ON THE CHICAGO, BURLINGTON & QUINCY RAILROAD.

The present system under which the Government employs railroads to carry the mails was established in 1873, 37 years ago. Under this system the Post Office Department designates between what named towns upon each railroad in the country a so-called "mail route" shall be established. Congress prescribes a scale of rates for payment per mile of such mail route per year, based upon the average weight of mails transported over the route daily, "with due frequency and speed," and under "regulations" promulgated from time to time by the Post Office Department. To this is added a certain allowance for the haulage and use of post-office cars built and run exclusively for the mails, based upon their length. The annual rate of expenditure to all railroads for mail service on all routes in operation June 30, 1909, was $44,885,395.29 for weight of mail, and for post-office cars $4,721,044.87, the "car pay," so called, being 9.5 per cent of the total pay. The payment by weight is, therefore, the real basis of the compensation to railroads. The rate itself, however, varies upon different mail routes to a degree that is neither scientific nor entirely reasonable. The rate per ton or per hundred pounds upon a route carrying a small weight is 20 times greater than is paid over a route carrying the heaviest weight. The Government thus appropriates to its own advantage an extreme application of the wholesale principle and demands a low rate for large shipments, which principle it denounces as unjust discrimination if practiced in favor of private shippers by wholesale. The effect of the application of this principle has been to greatly reduce the average mail rate year by year as the business increases. This constant rate reduction was described by Hon. William H. Moody (now Mr. Justice Moody of the United States Supreme Court) in his separate report as a member of the Wolcott Commission in the following language:

"The existing law prescribing railway mail pay automatically lowers the rate on any given route as the volume of traffic increases. Mr. Adams shows that by the normal effect of this law the rate per ton-mile is $1.17, when the average daily weight of mail is 200 pounds, and, decreasing with the increase of volume, it becomes 6.073 cents when the average daily weight is 300,000 pounds."

NOTE.—Since 1907 the railroads have been paid at much reduced rates. On the heavy routes the pay is now 5.54 cents per ton per mile.

Post Office Department officials have announced, as their conclusion from the results of the special weighing in 1907, that the average length of haul of all mail is 620 miles.

The bulk of the mail is now carried on the heavy routes at 5.54 cents per ton per mile, or $34.34 per ton for the average haul, that is, for 1.7 cents per pound.

The railroads therefore receive less than 1¾ cents per pound for carrying the greater part of the mails.

But the rate reduction for wholesale quantities has not had the effect of reducing the actual remuneration of the railroads for carrying the mails to nearly so great an extent as the increasing requirements for excessive space for distributing mails en route. This feature was likewise discussed by Judge Moody in his report in the following language:

"The rule of transportation invoked is based upon the assumption that the increase of traffic permits the introduction of increased economy, notably the economy which results in so loading cars that the ratio of dead weight to paying freight is decreased. Yet this economy is precisely what our method of transporting mail denies to the railroads. Instead of permitting the mail cars, whether apartment or full postal cars,

to be loaded to their full capacity, the Government demands that the cars shall be lightly loaded so that there may be ample space for the sorting and distribution of mail en route. In other words, instead of a freight car, a traveling post office."

An illustration of the extent to which the reductions have been carried, as shown upon one railroad system, is set forth in the letter of January 21, 1909, addressed to the Committee on Post Offices and Post Roads of the House of Representatives by Mr. Ralph Peters, president of the Long Island Railroad, who states that the actual cost to his company of carrying the United States mail for the year was $122,169, while the total compensation for that service paid by the Government was $41,196. Mr. Peters says:

"The Long Island Co. received from the Government for mail service performed in expensive passenger trains one-half the rate received by it per car mile for average class freight in slow-moving freight trains."

The Long Island Co. notified the Government that it would decline to carry the mails by the present expensive methods unless Congress makes some provision for a more adequate compensation. A notification of similar import has been given by the New York, New Haven & Hartford Railroad Co., the principal carrier in New England. Their position in this matter will undoubtedly be taken by other roads, because the same condition of inadequate compensation prevails upon hundreds of small railroads and mail routes, especially in the Southern and Western States.

Notwithstanding these facts, a powerful interest, which commands the public ear and derives great profit from the 1-cent-per-pound rate of postage, has, in order to divert public attention from itself, for years industriously and systematically circulated false statistics and false statements among the people regarding the railroad-mail pay, and is now circulating them.

The extent to which the public is being deceived regarding the railroad-mail pay is disclosed daily. In a recent hearing before the Senate Committee on Post Offices and Post Roads, Senator Carter, of Montana, said:

"We are all getting letters on this subject. I received the other day a letter from a very intelligent lady in Montana claiming that the Government is paying to the Northern Pacific Railway on that branch line for carrying the mail $97,000 per year. On inquiring at the Post Office Department, I find that the total compensation of the Northern Pacific Co. for mail service on that line is $3,070 per year."

This state of things was a sufficient reason for the Post Office Department to institute the present series of inquiries tending to show the space in passenger trains upon the railroads demanded and used by the Government for the mails in comparison with the space devoted to express and passenger service, and the relative rates of compensation in each class of service and the extent to which the roads are receiving for carrying the mails the cost to them of performing the service. In order to give these facts fair consideration, it is not necessary to admit that "space" is, or is not, a better and more workable basis for determining what is reasonable mail pay than "weight," nor to admit that the companies are only entitled to be paid by the Government for the service rendered to it the bare cost of rendering that service, that is, to receive back the train operating cost. Questions of speed and facilities furnished, and the preference characte of the traffic and the exceptional value of the service, and other elements, must be considered as well as space and cost, but that is no reason why the relative proportion of space used and the relation of compensation to cost should not be ascertained and given due weight, in the consideration of the important question of what is adequate mail pay to the railroads.

The following pages are based upon answers to the interrogatories of the Post Office Department and contain a statement of the mail service performed by the Chicago, Burlington & Quincy Railroad Co., a system extending westward from Chicago into 11 different States and embracing approximately 10,000 miles of main and branch lines.

The two principal tables of interrogatories were sent out under date of September 28, 1909, by the Post Office Department as the basis for this investigation.

These tables indicate the minute and thorough manner which the department employed in making this inquiry.

Some questions having arisen regarding the meaning and scope of the word "authorized" in connection with the returns of space occupied and used for the mails in post-office cars and department cars, and in certain other features, the department, under date October 23, 1909, issued an important supplementary letter of instructions.

Pursuant to these interrogatories, instructions, and requests the Burlington Co. has filed with the department the exact and detailed statements, train by train and car by car, of the mail service upon each of the 102 mail routes on its system, large and small, for the month of November, 1909, which were thus called for. These answers state the facts and state them in the manner prescribed wherever possible. Every inch of space on passenger trains and cars which in these tables is shown to be

occupied or used for mail or express or for passengers is set down from actual measurements made, car by car, and not upon any "estimate" or "consist" basis.

In the appendix will be found four tables prepared under the direction and supervision of Mr. De Witt which contain the results of this investigation into the mail service upon the Burlington, as disclosed in these statements.

Exhibit A is a statement of the car facilities or space used in every car in service on the road during the month of November for mail, and for express or occupied by passengers, based upon replies to questions prescribed in Form 2601.

Exhibit B is a statement of the station facilities, furnished for the mail, prepared on Form 2602.

Exhibit C is a statement of revenues and expenses and of train and car mileage, prepared on Form 2603.

Exhibit D is a statement of the number, and cost, and present value of post-office cars and apartment cars, prepared on Form 2605.

### THE INTEGRITY OF THE RETURNS.

In November, 1909, all the service rendered in all passenger trains and cars of the Burlington system, reduced to a common basis of car-foot miles (that is, each foot of linear space that was carried 1 mile), amounted to 529,936,590 car-foot miles, divided as follows:

| In passenger service. | Mails. | Express. |
|---|---|---|
| 428,164,920 (80.8%) | 62,246,130 (11.75%) | 39,525,540 (7.45%) |

The original circular of the Post Office Department contained certain "notes," to the effect that in reporting the length of postal cars and apartment cars, and the space therein used for mails, the railroad companies should only report the length or space "authorized" by the officials of the department; also that in reporting space used in cars for what is known as the "closed pouch service," the railroads should make an arbitrary allowance of 6 linear inches across the car for the first 200 pounds or less of average daily weight of pouch mail and 3 linear inches for each additional 100 pounds.

These directions were modified by the subsequent circular letter of the department, dated October 23, 1909.

This letter, among other things, directs the company to take credit for "surplus" space in post-office cars and apartment cars, if actually used for the storage of mails.

The practical difficulties attending the measurement and proper allotment of the space used for the mails in postal and other cars run on a passenger train will be better understood when it is known that such space is or may be described in at least eight different ways, and is actually used on the Burlington road as follows, namely:

1. Space in post-office cars specially "authorized," 43.03 per cent.
2. Space in apartment cars specifically "ordered," 20.69 per cent.
3. Space ordered in post-office cars operated in lieu of apartment cars, 4.3 per cent.
4. Additional space actually used for storage of mails when the railroad company operates larger post-office or apartment cars than the authorization calls for, 1.5 per cent.
5. Space in storage cars actually used for mails, 12.87 per cent.
6. Space in baggage cars used for closed-pouch mails, 4.06 per cent.
7. The return deadhead movement of space ordered and required in one direction only, 8.35 per cent.

(Ninety-five per cent of all the "space" shown in these returns for the Burlington as used for the mails comes within the foregoing seven classes, as properly authorized space about which no question can arise.)

8. "Surplus" space; that is, space furnished to the Government in post-office and apartment cars in excess of actual requirements, 5.2 per cent.

This 5 per cent is the only portion of the space claimed as used for mails regarding which any question can be raised affecting the integrity of these returns.

What is the correct view as to this 5 per cent?

It is manifestly against the interest of the railroad company to furnish space for mails that is not required, and it will never furnish such space if it can be avoided. But the "requirements" of the Post Office Department are not fixed and certain quantities by any means. It is entirely impracticable for any railroad company to keep on hand at

all times a supply of cars of all lengths in order to meet exactly the requirements of the department officials.

These statistics have been called for by the Post Office Department to enable it to make accurate comparisons between the space used and the facilities furnished on passenger trains for the three classes of service performed; that is, for express companies, for the Government in mail carriage, and for passengers. The point of the whole inquiry is this:

Does the Government contribute to the cost of the passenger train service upon the railroads of the country its fair share—that is, in proportion to the space and facilities it demands and requires the companies to furnish for the mails?

In making the comparison all the car space in all passenger trains must be measured and tabulated and has been measured and tabulated in the tables here submitted.

A passenger car may have seats to accommodate 80 persons; the average load it carries may be 15 persons. But in making up these returns of "space," all the empty space in that car is credited as passenger space. That car may likewise be loaded only one way and returned "dead head," but these returns have credited such return movement as passenger space.

The same is true of the express service in these returns. All space in all baggage and express cars set aside for the express company's use is, in these tables of statistics, credited to express, whether in fact loaded or "surplus," or "dead head" space.

How is a comparison possible, unless the space credited to the mails is recorded in the same way? As stated above, only 5 per cent of the whole space is involved in the question of "surplus" space, and if that 5 per cent should be entirely thrown out, the percentage results would not be materially changed.

### RESULTS UPON THE BURLINGTON ROAD.

The Government can not justly ask a railroad company to carry the mails without profit.

The passenger business on the Burlington road is conducted without profit if it is charged with the expenses assignable to passenger traffic, and a proper proportion of the expenses not thus specifically assignable, and a fair share of the taxes and the charges for capital in the form of interest on bonds and dividends on stock. The profit in the business comes from the freight.

This fact gives force to the present inquiry of the Post Office Department to determine whether the Government, in proportion to the service and facilities it requires from the roads on passenger trains, is contributing a fair proportion of the passenger-train earnings. If the passenger-train business, as a whole, is carried on at a loss, the Government ought, in fairness, to stand at least its share of the loss.

The earnings of the Burlington Co. from all passenger train service in November were $2,242,099.

The following table shows the earnings from passengers, from mail and express, and the space used in passenger trains by the three classes of traffic and the proportion of earnings contributed for facilities so used:

| | Earnings. | | Car-foot miles. | |
|---|---|---|---|---|
| | Amount. | Per cent. | Miles. | Per cent. |
| Passengers | $1,859,839 | 82.95 | 428,164,920 | 80.80 |
| Express | 187,825 | 8.38 | 39,525,540 | 7.45 |
| Mails | 194,435 | 8.67 | 62,246,130 | 11.75 |
| Total | 2,242,099 | ..... | 529,936,590 | ..... |

This table shows that for each 1,000 feet of space used in passenger trains the three classes of passenger traffic contributed in earnings as follows:

| | Amount. | Per cent. |
|---|---|---|
| Passengers | $4.34 | 139.1 |
| Express | 4.75 | 152.2 |
| Mails | 3.12 | 100.0 |

In proportion to the space occupied and facilities used on passenger trains, the Burlington road receives from passengers 39 per cent more than the Government pays for mail transportation, and from the Adams Express Co. 52 per cent more; that is, the express business pays the railroad company better than the Government pays for carrying the mails by 52 per cent.

If the Government had paid to the railroad company as much as the express company for each foot of space required and used on passenger trains, it would, for November, have paid $101,233 more than it did pay, or an increase in annual mail pay of more than a million dollars.

It may be of interest to note that the returns for the Pennsylvania system just being filed show the following:

| | Earnings. | Car-foot miles. |
|---|---|---|
| | *Per cent.* | *Per cent.* |
| Passengers | 79.8 | 76.2 |
| Express | 12.6 | 13.7 |
| Mails | 7.6 | 10.1 |

For each 1,000 feet of passenger train space used on the Pennsylvania the traffic contributed in earnings as follows:

| | Amount. | Per cent. |
|---|---|---|
| Passengers | $4.45 | 139 |
| Express | 3.91 | 122 |
| Mails | 3.20 | 100 |

On the Pennsylvania the passenger business is worth to that company 39 per cent more than the Government mail business, and the express business is worth 22 per cent more than the mails, indicating that express rates are relatively higher in the West than the East, but that neither in the East nor in the West is it a paying business to carry the mails at present rates.

IS THE GOVERNMENT PAYING THE RAILROADS FOR CARRYING THE MAILS THE COST OF DOING THE WORK?

No. The Government paid the Chicago, Burlington & Quincy for carrying the mails in November $194,435, or at the rate of $2,333,220 annually.

The total operating expenses of the road for that month were $5,452,830.

The items of passenger train operating expense strictly assignable were as follows:

| | | |
|---|---|---|
| Transportation expense: | | |
| Fuel passenger engines | $132,709 | |
| Salaries passenger engineers | 100,511 | |
| Salaries passenger trainmen | 87,557 | |
| Train supplies, etc | 55,664 | |
| Injuries to persons | 19,904 | |
| Station employees | 17,160 | |
| Joint yards and terminals | 15,610 | |
| Miscellaneous | 25,093 | |
| | | $454,208 |
| Maintenance of equipment: | | |
| Repairs, passenger cars | 67,650 | |
| Depreciation, passenger cars | 39,639 | |
| Miscellaneous | 337 | |
| | | 107,626 |
| Traffic expense: | | |
| Advertising | 17,249 | |
| Outside agencies | 16,673 | |
| Superintendence | 10,272 | |
| Miscellaneous | 4,777 | |
| | | 48,971 |

| | | |
|---|---|---|
| Maintenance of way, etc.: | | |
| Buildings and grounds | $7,053 | |
| Joint tracks, etc | 4,440 | |
| Miscellaneous | 1,477 | |
| | | $12,970 |
| General expense: | | |
| Salaries, clerks, etc | 8,994 | |
| Insurance | 2,478 | |
| Legal expense | 1,153 | |
| Miscellaneous | 955 | |
| | | 13,580 |
| Total | | 637,355 |
| Proportion operating expense not assignable | | 1,278,016 |
| Total | | 1,915,371 |

A large part of the operating expenses of every railroad, such as maintenance of roadway, station expense, general office expense and the like, are common to both the freight and passenger service, and it seems impossible to assign all of them specifically. The Post Office Department, in the circular under which the roads are reporting, recognizes this condition and calls for the "proportion" of the expense "not directly assignable and the basis of such apportionment."

The apportionment of nonassignable expense on the Burlington has been made on the basis of train mileage.

In the month of November the mileage of passenger trains was 45.4 per cent of the total train mileage, and the foregoing sum ($1,278,016) of nonassignable expense is 45.4 per cent of the operating expenses for that month, common to both kinds of traffic, and therefore incapable of specific assignment to either.

These two classes of passenger expense (assignable and nonassignable) aggregate $1,915,371 monthly, or at the rate of $22,984,452 per year, and 11.75 per cent of this sum, or $2,700,675, is the annual operating cost to the Burlington company of transporting the Government mails.

| | |
|---|---|
| Cost of carrying the mails | $2,700,675 |
| Earnings from carrying the mails | 2,333,220 |
| Loss | 367,455 |

These figures show that, in proportion to the service rendered, the Government paid to that company $367,455 less than the actual cost of doing the work, not including anything for taxes nor for interest paid by the company upon its funded debt, which was necessary to be paid in order to preserve the property, to say nothing of a return upon the capital represented by the capital stock.

The correct mail's proportion of taxes and interest for the year is $634,713, which, added to the $367,455 loss above operating expenses, shows a loss of $1,002,168.

| | |
|---|---|
| Loss operating expenses over revenue | $367,455 |
| 11.75 per cent of taxes and interest | 634,713 |
| Annual loss on mails | 1,002,168 |

This takes no account of the annual value at 2 cents per mile of the transportation of inspectors and postal employees, other than clerks in charge of the mails ($74,352), nor of clerks in charge of the mails ($746,340).

These two items of service rendered to the Government by the Chicago, Burlington & Quincy road are of the admitted value of $820,692 annually.

The railroad company has the same duty and legal responsibility toward these clerks as toward passengers.

Is there another fair way of testing this question?

In a letter dated March 2, 1910, from Hon. Frank H. Hitchcock, Postmaster General, to Hon. John W. Weeks, chairman of the Post Office Committee of the House, printed in full herewith, he states it is estimated that the average annual cost to the railroads of operating a post-office car for the Government is $19,710, including $2,049 for lighting, heating, repairs, etc., and that the total average pay received for the car and its contents, including post-office car pay, is $16,638 per annum, showing a loss in this branch of the service of $3,073 per car. There are 1,111 full postal cars in actual service in the country, and the loss thereon, therefore, aggregates $3,414,103, to say nothing of the 231 postal cars in reserve.

But that is the smaller part of the loss. There were 3,116 apartment cars in actual use in 1909, averaging 20 feet in length, and the cost of operating each of these, according to Mr. Hitchcock's figures, would be one-third of $19,710, or $6,570.

The average haul of apartment cars is 48 miles, and the average load in a 20-foot apartment car is officially stated as 607 pounds, making the rate per mile on routes carrying an average daily weight of only 607 pounds, $68.40 per annum, and the average earnings, therefore, $3,283 per year, an average loss of $3,287 per car, and an actual loss per year from operating the 3,116 apartment cars of $10,642,292, to say nothing of the 639 apartment cars in reserve.

The Chicago, Burlington & Quincy has 76 full post-office cars and 104 apartment cars, and applying to them the foregoing figures given in Mr. Hitchcock's letter, the loss from operating them in 1909 was $575,396, adding to which $634,713, the mail's proportion of taxes and interest that must be included in estimating "cost" in which the Government's business should share, the estimated loss on the business was $1,210,109, compared with $1,002,168, arrived at by charging the Government business with 11.75 per cent of the passenger expense, that being its proportion of the space used in passenger trains.

The Government should be willing to pay fairly for what it exacts from the railroads, and it exacts from the Chicago, Burlington & Quincy 11.75 per cent of its passenger-train facilities. If it had paid 11.75 per cent of the passenger-train expenses of the road in 1909, it would have paid approximately a million dollars more than it did pay.

The Government which demands from the railroads that they build and transport daily over their roads for its benefit 5,100 traveling post offices as full postal cars and apartment cars should be willing to pay what the Postmaster General estimates to be the actual cost of operating those cars and a fair proportion of the taxes and interest.

If it had paid such cost in 1909, it would have paid to the Chicago, Burlington & Quincy approximately a million dollars more than it did pay.

## RESULTS ON VARIOUS MAIL ROUTES.

The foregoing are statements of results on the Burlington system as a whole, showing earnings and expenses and facilities furnished to the Government mail service.

It may be of interest, and throw light on the situation, to show results for November upon several separate mail routes in the system, ranging from small routes carrying 200 pounds of mail daily, up through routes carrying weights, respectively, of 1,300 and 8,000 and 20,000 pounds daily, to the heaviest route carrying 192,000 pounds, covering the fast-mail service from Chicago to Omaha.

Weights of express packages are not kept on separate mail routes and statements therefore of express earnings for such separate mail routes are necessarily estimated, but, as given in the following tables, they are approximately correct and corroborate the comparative results for the Burlington system as a whole, which results are based upon exact figures for express as well as for mails and for passengers.

### I. ROUTE 157030, KENESAW TO KEARNEY, NEBR., 24.68 MILES.

[Average daily weight 216 pounds.]

| | Percentage of space occupied. | Percentage of earnings. | Should earn on basis of space used. | Did actually earn. |
|---|---|---|---|---|
| Passenger | 83.79 | 88.90 | $1,238 | $1,314 |
| Mail | 9.37 | 6.02 | 139 | 89 |
| Express | 6.84 | 5.08 | 101 | 75 |
| Total | | | | 1,478 |

The mail earnings on this route are $89 per month, or $3.44 daily. The service for the Government is performed in an apartment car 15 feet long, and closed pouch service, four trains carrying mail daily, except Sunday, giving an actual return to the railroad of 3½ cents per mile run, or about one passenger fare at 3 cents per mile, although the Government demands the use of a 15-foot car fitted up as a post office in which a postal clerk is carried free, and this car must be lighted, heated, and kept in repair, and carried over the route each way daily, except Sunday.

On this branch the actual earnings on passengers per passenger car are 55 cents per car-mile.

The post-office apartment car equals one-quarter of a passenger car, and the mail should, on this basis, earn at least 14 cents per mile, but it does earn, for all the mail service, at the rate of 3½ cents per mile, less the expense of delivering mail to and from post offices.

During the weighing period the mails are carried on 90 days and weighed on 90 days, but under the Cortelyou order, these aggregate weights are divided by 105 and the result is called the "average" and forms the basis of pay on this route for four years.

This mail service in a traveling post office on an expensive railroad is paid about one-third the rate per mile that the Government pays to a rural route carrier who carries an average of 25 pounds of mail.

II. ROUTE 157028, ODELL TO CONCORDIA, KANS., 72 MILES.

[Average daily weight, 282 pounds.]

| | Per cent space. | Per cent earnings. | Should earn on space. | Did earn. |
|---|---|---|---|---|
| Passenger | 80.82 | 81.44 | $2,482 | $2,501 |
| Mail | 11.76 | 9.38 | 361 | 288 |
| Express | 7.42 | 9.18 | 228 | 282 |
| Total | | | | 3,071 |

Mail earnings $288 per month (26 days), or $11 per day.

This service demands a 25-foot apartment car each way for which the pay amounts to 7.64 cents per car mile run, or about the fares of two passengers at 3 cents per mile who may occupy one seat.

The service is six days per week, but the aggregate weight carried in the six days is divided by seven to obtain the Cortelyou "average" on which the pay is based.

The payment for a 25-foot traveling post office is a little over half the pay per mile for a rural route carrier.

III. ROUTE 135012, STREATOR TO AURORA, ILL., 60 MILES.

[Average daily weight, 1,303 pounds.]

| | Per cent space. | Per cent earnings. | Should earn on space. | Did earn. |
|---|---|---|---|---|
| Passenger | 72.84 | 85.64 | $4,800 | $5,643 |
| Mail | 17.38 | 7.51 | 1,145 | 495 |
| Express | 9.78 | 6.85 | 644 | 451 |
| Total | | | | 6,589 |

Mail earnings (26 days), $495 per month, or $19 per day.

Four trains on this road carry mail daily, two each way, two in a 25-foot mail apartment and two in a 30-foot mail apartment, an average earning rate of 7.88 cents per car mile.

The passenger cars on this branch carry an average of 24 passengers each, and earn 48 cents per car mile. The average mail apartment furnished is half a passenger coach.

These four apartment cars, at the same rate as the passenger cars (24 cents per mile), would earn $18,029 per year.

The passenger train earnings on the branch are $79,000 a year. The mails demand 17.38 per cent of the facilities, and on that basis should earn for the company $13,730.

The mail earnings were $5,940, this being the annual compensation after a reduction of 9½ per cent through the Cortelyou order, requiring the aggregate of 90 weighings to be divided by 105 to ascertain the "average."

IV. ROUTE 164004, EDGEMONT TO BILLINGS, WYO., 366 MILES.

[Average daily weight, 8,087 pounds.]

| | Per cent space. | Per cent earnings. | Should earn on space. | Did earn. |
|---|---|---|---|---|
| Passenger | 85.79 | 89.22 | $85,476 | $88,895 |
| Mail | 10.43 | 6.18 | 10,392 | 6,156 |
| Express | 3.78 | 4.60 | 3,766 | 4,583 |
| Total | | | | 99,634 |

Two 60-foot postal cars are run daily each way.

The mail earnings are $6,156 per month, or $205 per day.

The total earnings of the passenger trains on this road are $1,195,000 a year, and the mails required 10.43 per cent of the passenger-train facilities; on this basis they ought to pay $125,000 a year.

These post-office cars are hauled 534,000 miles every year. The Postmaster General estimates that the actual cost to the railroads of operating a 60-foot postal car is 18 cents per mile. At this rate the Burlington Co. should be paid $96,000 a year for the service of the postal cars only.

It is, in fact, paid for all the mail service on this road $73,872 annually.

V. ROUTE 135010, GALESBURG TO QUINCY, ILL., 99.93 MILES.

[Average daily weight, 19,727 pounds.]

| | Per cent space. | Per cent earnings. | Should earn on space. | Did earn. |
|---|---|---|---|---|
| Passenger | 69.45 | 79.44 | $28,864 | $33,015 |
| Mail | 19.70 | 8.45 | 8,187 | 3,511 |
| Express | 10.85 | 12.11 | 4,509 | 5,034 |
| Total | | | | 41,560 |

Mail earnings from all sources $3,511 per month, or $117 per day.

The service is performed in three 60-foot postal cars, two 16-foot apartments, and one 27-foot apartment, each way daily; also one 44-foot postal car and one full storage car, daily except Sunday, in addition to some space furnished for closed pouches in ordinary baggage cars.

The car space provided for the mails on this route is equivalent to 10 full 60-foot cars daily over the whole length of the route, or 365,000 car miles a year. At 18 cents per mile the pay would be $65,700, whereas the actual pay is only $42,132. If the Government paid for the service in porportion to the facilities it demands and receives, it would pay $98,244.

VI. ROUTE 135007, CHICAGO TO BURLINGTON, 205 MILES.

[Average daily weight, 192,540 pounds.]

| | Per cent space. | Per cent earnings. | Should earn on space. | Did earn. |
|---|---|---|---|---|
| Passenger | 73.14 | 74.72 | $210,134 | $214,671 |
| Mail | 17.19 | 13.74 | 49,387 | 39,462 |
| Express | 9.67 | 11.54 | 27,782 | 33,170 |
| Total | | | | 287,303 |

On the basis of space used and facilities provided for the mails, the Burlington road is underpaid $119,000 a year on this route.

Two-thirds of the weight of mail is carried in special trains run at great speed and unusual expense, for which no extra allowance is made. The extension of the route to Omaha is across Iowa, where it is "land grant" and subject to land-grant deductions.

The Government made a "gift" to the company in 1856 of lands amounting to 358,000 acres and then valued at $1.25 per acre, or $447,500.

The mail-pay deductions to June 1, 1910, on account of this Iowa land grant aggregate $1,650,000, and still continue at the rate of $62,000 a year.

Neither in the foregoing six statements of results upon separate mail routes, nor in the general statement of results upon the Burlington road, has any allowance been made for the expense to the company of what is called the "mail messenger service."

At all points where the post office is not over one-fourth of a mile from the railroad station the railroad company must have all the mails carried to and from the post office.

What an important item of expense this amounts to appears in the following extract from the report of the Wolcott Commission, which states:

"Out of 27,000 stations supplied by messenger service 7,000 are paid for by the department at a cost of between $1,000,000 and $1,100,000 per annum, leaving the other 20,000 stations to be supplied by and at the expense of the railroads."

Investigation has shown that on mail routes where the average mail pay of the railroad company is $900 a year the average cost of this mail messenger service is $400, calculating only $100 as the expense for each station where they are required to perform the service. There are instances where the company pays in cash each year for delivering the mails between station and post office considerably more than the Government pays for the entire mail service over its line of road. There is no such feature in the express service.

### WHY DO RAILROADS CARRY THE MAILS WITHOUT PROFIT?

The question is sometimes asked why the railroads continue to carry the mails if there is no profit in the business. Carrying the mails is not the only traffic which railroads take upon terms that would bankrupt them if applied to all their business.

There is no profit in running passenger trains on most railroads—that is, the receipts from all the traffic carried on passenger trains are not sufficient to pay a train-mileage or car-mileage share of operating expenses and taxes and charges for the use of capital. But a large part of this cost of conducting the business of a railroad, such as taxes, interest, maintenance of roadway, general office expenses, and many others, would continue substantially the same if the passenger trains were discontinued. Having the railroad, and its taxes, and interest, and maintenance expenses to meet, anyhow, no railroad can afford to refuse any income from passenger trains that amounts to more than their train-operating cost. On the same principle they accept low rates per mile as a share of through passenger fares which, if applied to all passenger fares, would show a loss. The road is there, the trains are running, and the cars only partially loaded; the addition of through passengers may not materially increase the expense, and the road is better off to accept the business at less than the average cost rather than to reject it. But whatever the passenger trains lose must be made up by the freight trains if the road is to continue in business.

The constant aim of the managers of the railroad is to secure from each class of traffic not only the operating cost peculiar to that traffic, but a proportion of the general cost; but business is not necessarily rejected on which it is impossible to secure such proportion.

Many of the reasons which impel them to run passenger trains without profit apply to their acceptance of the Government mails. They facilitate the freight business; it is better to carry them at a loss than not to carry them at all.

But is that any reason why the Government should not pay fair value for what it receives? Is it good policy for the Government to force upon the companies the alternative of carrying the mails at a loss or refusing to carry them at all?

What are the mails?

They are the letters and packets that are conveyed from one post office to another under public authority.

Who conveys them? The railroads convey nine-tenths of them.

The railroads are the mail service of this country. The Post Office Department states that it receives from the people who use the mails $84 on every 100 pounds of letters and post cards. Who makes that money for them? The railroads. The railroads convey those letters and cards from post office to post office—not the Government.

For a service like that the Government can afford to pay.

What does it pay?

On the great bulk of the business the railroad companies which do the work and earn the money receive less than $2 a hundred. On every pound of first-class mail the Government collects $84 a hundred.

The fact that the Congress for purposes of general education or other reasons thinks it is good public policy to carry the magazines and other second-class matter at $1 a hundred is something about which the railroads have nothing to do and nothing to say.

The mail pay of the railroads has been reduced in the past four years more than $8,000,000 a year. Part of this was done by act of Congress, but the greater part came from the arbitrary and illegal Cortelyou order.

These reductions were made without any hearing being granted to the railroads. Hearings were refused by the committee which reduced the pay three and a half millions, and no pretense of a hearing was made by Secretary Cortelyou when his autocratic order was issued reducing the mail pay approximately $5,000,000 a year. This order was an arbitrary and unwarranted and illegal exercise of executive power.

The last hearing allowed to the railroad companies on this subject was by the Wolcott Commission, 1897 to 1900, composed of eminent Senators and Representatives. They reported, after two years' investigation, that the mail pay was reasonable and should not be reduced. Upon the question whether railroads should be asked to carry the mails at a loss their report expressed the following views:

"It seems to the commission that not only justice and good conscience, but also the efficiency of the postal service and the best interests of the country, demand that the railway-mail pay shall be so clearly fair and reasonable that while, on the one hand, the Government shall receive a full quid pro quo for its expenditures and the public treasury be not subjected to an improper drain upon its funds, yet, on the other hand the Railway Mail Service shall bear its due proportion of the expenses incurred by th railroads in the maintenance of their organization and business as well as in the operations of their mail trains.

"The transaction between the Government and the railroads should be, and in the opinion of the commission is, a relation of contract; but it is a contract between the sovereign and a subject as to which the latter has practically no choice but to accept the terms formulated and demanded by the former; and, therefore, it is incumbent upon the sovereign to see that it takes no undue advantage of the subject, nor imposes upon it an unrighteous burden, nor 'drives a hard bargain' with it. The commission, therefore, believes that the determination whether the present railway-mail pay is excessive or not should be reached, as near as may be, upon a business basis, and in accordance with the principles and considerations which control ordinary business transactions between private individuals."

## THE POSTAL-CAR PAY.

The wide credence which has been given to the statement that the Government is paying to the railroads an annual rent for postal cars equal to the cost of building them is remarkable.

The Government does not pay a rental for any car. The idea is an erroneous one, and is based upon ignorance regarding the payment of what is called "post-office car pay."

Originally the mail business on railroads was the transportation of mail bags, and was essentially a freight traffic. But its character has entirely changed.

The business now consists almost wholly in providing moving post offices, expensive to build and expensive to operate, in which the average weight for which pay is received is about 2 tons in full postal cars and 600 pounds in apartment cars.

The Post Office Department weighed all the mails carried in all postal cars and apartment cars in the country during October, 1907, and the average weight of mail on the Burlington road loaded in a 40-foot postal car was found to be less than 2,000 pounds; in 50-foot cars it was 2,500 pounds; and in 60-foot cars it averaged less than 4,500 pounds; in apartment cars it was 607 pounds.

The average load carried in an ordinary freight car on the Burlington road is from 36,000 to 40,000 pounds. Railroads, as a rule, haul a ton of paying or productive freight for every ton of dead or unproductive load. In the Government mail business they carry 19 tons of dead weight for each ton of paying weight.

These cars are fitted up as post offices and are used for distribution en route in order to expedite and facilitate the prompt transmission and delivery of mails. hey largely take the place of very expensive distribution offices in cities.

The railroads provide cars for freight traffic, but refused to build, and maintain, and haul these moving post offices with their clerks and paraphernalia, without pay. That is the post-office car pay of which so much is said.

The truth regarding this feature of the subject is clearly stated in the following recent letter from the Postmaster General:

[Congressional Record, March 5, 1910, 61st Cong., 2d sess., vol. 45, No. 61, p. 2852.]

## LETTER OF THE POSTMASTER GENERAL RELATIVE TO THE COST OF FURNISHING AND OPERATING RAILWAY POST-OFFICE CARS.

OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., March 2, 1910.*

Hon. JOHN W. WEEKS,
*Chairman Committee on Post Offices and Post Roads,*
*House of Representatives.*

MY DEAR SIR: In response to your inquiry made of the Second Assistant Postmaster General in regard to the cost of maintaining and operating railway post-office cars and its relation to the compensation received by railroad companies for the same and your reference to the speech delivered by Senator Vilas on the subject in the United States Senate, February 13, 1895, I have the honor to advise you as follows:

The department has not at this time sufficient information upon this point to give from its own records a reliable estimate. As you are aware, we have recently asked railroad companies to submit answers to inquiries with reference to the cost of operating the mail service, and it is believed that when these shall have been received we will be in a position to furnish such information. Inasmuch, however, as it may be of importance to you to have estimates made from time to time by others and such incomplete information as we have at present, I submit the following:

The cost of operating a railway post-office car has been variously estimated (but not officially by the department) as from 15 to 30 cents a car mile. The average run per day of such a car is about 300 miles. Estimating the cost at 18 cents a car mile, the total cost of operating such car for one year would be $19,710.

The specific items which constitute this total cost are not definitely known to the department. However, as to the cost of lighting, cleaning, repairs, etc., the General Superintendent of Railway Mail Service furnished the following estimates before the commission to investigate the postal service in 1899, viz: Lighting, $276; heating, $365; cleaning, water, ice, oil, etc., $365; repairs, $350; proportion of original cost of car (estimating the life of a car at 15 years and the original cost at $6,000), $400; total, $1,756. Recent inquiry gives the following as the approximate cost of maintaining a car at the present time: Lighting (electric), $444; heating, $150; cleaning, $360; repairs, $300; oil and brasses, $120; interest on cost of car (at $7,500), $300; annual deterioration (estimating the life of a car at 20 years), $375; total, $2,049. These figures give the cost of a car built according to the department's standard specifications. The cost of modern steel cars being built by some of the railroad companies is from $14,000 to $15,000.

The compensation received by a railroad company for operating a car and carrying the mails in it would be approximately as follows:

The pay for a 60-foot car at $40 a track mile per annum, for a track mileage of 150 miles, would be $6,000. The average load of a 60-foot car, according to statistics obtained recently, is 2.83 tons. The rate per ton of an average daily weight of 50,000 pounds carried over the route is $25.06. At this rate the company would receive $10,637.97 per annum for the average load of mail hauled in the car. This sum, added to the specific rate for the railway post office car ($6,000), makes the total pay for the car and its average load $16,637.97 per annum.

Senator Vilas's argument was based upon the theory that the rates fixed for railroad transportation alone, based on the weights of the mails carried, are adequate compensation for all services rendered, including the operation of railway post-office cars, and that therefore the railroad companies would be required to operate postal cars owned by the Post Office Department for the compensation allowed by law for the weight of mails alone, including apartment-car space and facilities. Such theory is not justified by the facts, as will appear from the following:

A careful perusal of the debates in both Houses of Congress which led to the enactment of the present law fixing the rate of pay for railroad transportation of the mails and for railway post-office cars clearly indicates that the additional compensation for railway post-office cars was intended to cover the additional expense imposed upon the railroad companies for building, maintaining, and hauling such cars. The companies at that time insisted that these cars, which were practically traveling post offices, did not carry a remunerative load, and that therefore the amount of pay, based on weight, did not compensate them for their operation. This led to the specific appropriation for railway post-office cars. In this connection it should be borne in mind that the purpose of the railway post-office car is to furnish ample space and facilities for the handling and distribution of mails en route. Therefore the space required is much greater than would be required for merely hauling the same weight of mails.

In regard to any proposal for Government ownership of postal cars, other facts as well as the above should be given consideration. Such cars must be overhauled, cleaned, and inspected daily. It would be necessary to either arrange with the railway companies for this service or for the department to employ its own inspectors, repair men, and car cleaners at a large number of places throughout the country, which would probably be more expensive than the cost to the railway companies in that respect at present. It would hardly be feasible to establish a Government repair shop. Therefore the department would be compelled to use the shops of the several railway companies throughout the country. Without the closest supervision and attention of the Government's inspectors it could scarcely be expected that our cars would receive the same consideration in railroad shops as those owned by the railway companies. These shops are frequently congested, and it is probable that the railroad work would be given the preference.

Yours very truly,

FRANK H. HITCHCOCK,
*Postmaster General.*

The Wolcott Commission carefully investigated the whole subject of postal-car pay and their conclusions regarding this form of compensation and its reasonableness are set forth in their report in the following language:

"Until a comparatively short time prior to 1873 the distribution of the mails in transitu was unknown. Prior to the late sixties the railroads simply transported the mails, which were delivered at the post offices and there distributed. Accordingly, 'weight' as the basis of compensation was at the time of its adoption and long thereafter entirely adequate.

"For a few years, however, prior to 1873 the distribution of the mails in transitu had been practiced to a sufficient extent to satisfy the Post Office Department and Congress that it was a desirable innovation and a branch of the postal service that should be very much enlarged. But it was recognized that if the railroads were not only to transport the mail itself, but also to supply, equip, and haul post offices for the distribution of the mails, the compensation upon weight basis that had obtained up to that time was not entirely adequate and just, and therefore the law of 1873, as already indicated, contained a provision allowing additional compensation for railway post-office cars. At first these cars were mostly not exceeding 40 or 45 feet in length and of light construction, similar to baggage and express cars.

"From the policy of the department, however, of constantly demanding better and better facilities from the railroads and the introduction of every improvement that could be discovered, it has come to pass that, to-day, the railroad post-office cars, with the exception of a few obsolete ones that are being discontinued as rapidly as practicable, are elaborate structures, weighing between 90,000 and 100,000 pounds; built as strongly and fitted up, so far as suitable to the purpose for which it is intended, as expensively as the best Pullman and parlor cars; costing from $5,200 to $6,500; maintained at a cost of $2,000 per year; traveling on an average of 100,000 miles per annum; provided with the very best appliances for light, heat, water, and other comforts and conveniences; placed in position for the use of the postal authorities from two and a half to seven hours before the departure of the train upon which they are to be hauled, and owing to the small space allowed in them for the actual transportation of the mails, accompanied on the denser lines by storage cars for which no additional compensation is paid by the Government and on the less dense lines the larger bulk of mails is carried in the baggage cars without additional compensation for the car.

"These cars are constructed and fitted up by the railroads in accordance with plans and specifications furnished by the department, and the amount of mail transported therein is determined exclusively by the postal authorities. From these two facts it results that the railroad must haul 100,000 pounds of car when the weight of the mail actually carried therein is only from 3,500 to 5,000 pounds—often very much less, and occasionally somewhat more.

"Taking in view all these facts, as disclosed by the testimony filed herewith, we are of opinion that the 'prices paid * * * as compensation for the postal-car service' are not excessive, and recommend that no reduction be made therein so long as the methods, conditions, and requirements of the postal service continue the same as at present."

### MAIL RATES AND EXPRESS RATES.

No feature of this question has been more persistently misrepresented than the relative value to the railroads of the mail business and the express business.

As elsewhere shown, the express business is 52 per cent more valuable to the Burlington road than the Government mails on the mere basis of space used and facilities

furnished in passenger trains. There are many other considerations which increase this disparity of value in favor of the express, but reference to them is omitted in order to direct public attention to the following statements of the Postmaster General in his recent letter upon the subject:

[Congressional Record, March 4, 1910, 61st Cong., 2d sess., vol. 45, No. 60, p. 2802.]

LETTER OF THE POSTMASTER GENERAL RELATIVE TO THE SERVICE RENDERED BY THE RAILROAD COMPANIES IN CONNECTION WITH THE MAILS AND WITH EXPRESS.

OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., January 31, 1910.*

Hon. JOHN W. WEEKS,
*Chairman Committee on Post Offices and Post Roads,*
*House of Representatives.*

MY DEAR SIR: In response to your inquiry as to the difference between the service rendered the Post Office Department by railroad companies in the carriage and handling of the mails and that rendered express companies, I would state that from such information as we have been able to obtain in regard to the service rendered to express companies the difference is substantially as follows:

The Post Office Department requires the railroad company to take the mail from the post office wherever the office is within 80 rods of the depot, and the company has an agent, and in many cases to perform the terminal service regardless of the distance between the post office and the station. Wherever the terminal service is taken up by the department, by means of regulation or screen-wagon service, the contractor delivers the mail at a specified place at the depot, and from that point the railroad employees transport it to the cars, and if the amount is so great that it would impose a hardship upon the postal employees to load and store this mail, the railroad company is called upon to furnish porters to do the work. Where the mail messenger or contractor can drive direct to the cars, he does so. The express companies haul all of their matter to the railroad stations and put it in the cars, using their own employees and their own trucks.

The cars furnished the Post Office Department and those furnished the express companies differ very materially. The former are built according to specifications furnished by the department, and are fully equipped with letter cases, paper racks, drawers, and lockers for registered mail and supplies, and all of the equipment necessary for the distribution of mail en route. The cars furnished the express companies have very little, if any, interior furnishings, and are more like the cars used for the transportation of baggage. In both cases the cars used are owned by the railroad company.

The number of employees transported for the Post Office Department is very much greater than for the express companies. There are frequently 5 or 6 clerks in the postal cars, and on fast mail trains, where there are two or three working cars to a train, the number runs up as high as 23. The express seldom requires more than 2 men in a car.

The Post Office Department claims as much space at depots without specific payment therefor as may be required for the storing and handling of mail in transit. The express companies are required to pay the railroad companies for all space used at depots.

On smaller lines a separate apartment must be furnished for the mails other than baggage mails. The express matter is usually placed in the baggage car.

Upon arrival at terminals the railroad company may be required to unload a mail car, if the quantity is such as to impose a hardship upon the clerks, and to see that it is loaded into the contractor's wagons; or, if the terminal service devolves upon the railroad company, that it is delivered into the post office. The express company unloads and handles its own matter.

The railroad and express companies frequently use a joint employee to handle baggage and express, thereby economizing in cost of help. That can very seldom be done in connection with the postal service.

The railroad company has charge of all baggage mails in transit and receives them into and delivers them from the cars. It also handles other mails when necessary to transfer them between cars or trains. It is held responsible for reasonable care in their transportation. Deductions are made for failures to perform service according to contract, and fines are imposed for delinquencies. The company is required to keep a record of all pouch mails carried on trains in charge of their employees and handled at stations where more than one regular exchange pouch is involved and no mail transfer clerk is located, and to prepare and forward shortage slips when a pouch is due and not received. They are required to make monthly affidavits as to per-

formance of service. It is understood that the company never assumes control of express matter. The department is not informed as to the terms of contracts between railroad and express companies, and therefore can not state what responsibility is imposed as to transportation.

Mail cranes for the exchange of mail at points where trains do not stop are erected and kept in repair by and at the expense of the railroad company, whose employees must hang the mail bag on the crane and adjust it for catching at points where the company provides side service. The mail catchers are also furnished by them. No service of this character is rendered express companies.

A railroad company is required by law to carry the mails upon any train that may be run, when so ordered by the Postmaster General, without extra charge therefor, and as a result the mails are carried on the fastest trains and with great frequency. Express matter is not as a rule carried on the fast limited passenger trains, nor with the frequency with which mails are carried.

In this connection your attention is invited to pages 84 to 94, 516–517, 860 to 863, part 1, and pages 687 to 696, part 2, of the testimony before the congressional commission which investigated the postal service in 1900—Wolcott-Loud Commission.

Yours very truly,

F. H. HITCHCOCK, *Postmaster General.*

The Government does not own any railroad, but, under the present system, the Post Office Department dictates to the railroad companies upon what passenger trains and in what kind of cars the mails shall be carried. It insists on such space and facilities as it deems necessary for the mails being furnished on the fastest and most expensive trains and demands that these trains keep their fast schedules; this means that all other trains on the road are side-tracked and delayed whenever that is necessary in order to expedite the mails.

There are no such features in the express business.

Demanding a preference traffic, the Government ought to be willing to pay for it more than express rates. In fact, it pays much less than express rates.

The ablest and most competent witness who appeared before the Wolcott Commission on this subject was Henry S. Julier, vice president and general manager of the American Express Co., who said: "Without question, the Government has the cheaper service by far."

Mr. Julier further stated that 7 pounds is the average weight of packages sent by express, and the 7-pound package is the typical express package, and therefore the earnings from carrying such packages are the true index of the rates actually received. Some railroads receive as their compensation 50 per cent of the express company's earnings; the Chicago, Burlington & Quincy receives 57½ per cent.

Mr. Julier was asked by the commission to file statements showing from the rates in force exactly the revenue received per hundredweight by the railroad company from the express in comparison with the mail rates. He filed the following:

*Rates received by railways per hundredweight for mails and rates received for express between points named.*

| | Distance. | Mail.[1] | Express.[2] |
|---|---|---|---|
| New York to— | *Miles.* | | |
| Buffalo | 440 | $1.58 | $2.80 |
| Chicago | 980 | 3.57 | 4.55 |
| Omaha | 1,480 | 5.38 | 5.95 |
| Indianapolis | 906 | 3.27 | 4.55 |
| Columbus | 761 | 2.49 | 3.85 |
| East St. Louis | 1,171 | 4.38 | 4.90 |
| Portland, Me | 347 | 1.33 | 2.80 |
| Chicago to— | | | |
| Milwaukee | 85 | .34 | 2.10 |
| Minneapolis | 421 | 1.83 | 3.85 |
| New Orleans | 922 | 5.27 | 5.95 |
| Detroit | 284 | 1.34 | 2.80 |
| Cincinnati | 306 | 1.20 | 3.15 |
| Cincinnati to— | | | |
| St. Louis | 374 | 1.61 | 3.15 |
| Chicago | 306 | 1.20 | 3.15 |
| Cleveland | 263 | 1.26 | 2.80 |

[1] Rate per 100 pounds allowed railroad companies under last weighing, including the pay for post-office cars.

[2] Fifty per cent of express companies' earnings on fourteen 7-pound packages weighing in the aggregate 100 pounds, yields the railroad companies the rate per 100 pounds noted in this column.

Since the filing of these statistics, the rates paid to railroads for carrying the mails have been reduced almost a fifth.

The statements of the Postmaster General and the statistics confirm the evidence of these returns that the express business is much more valuable to railroad companies than the Government mail business.

W. W. BALDWIN,
*Vice President.*

JOHN DEWITT,
*General Mail Agent, Chicago, Burlington & Quincy Railroad Co.*

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[Appendix.]

EXHIBIT A.

[Form 2601.]

There are on file in the Post Office Department 102 separate statements showing, for the month of November as to each mail route on the Burlington system, the space occupied and used for mail and for express and for passengers.

In order to make a comparison it was, of course, necessary to reduce each item of space used in each car to a common basis of feet, and the following table shows what are the actual facilities furnished in passenger trains for the three classes of traffic reduced to linear car-foot space:

*Car-foot mileage.*

| Mail. | Passengers. | Express. |
|---|---|---|
| 62,246,130 (11.75%) | 428,164,920 (80.8%) | 39,525,540 (7.45%) |

EXHIBIT B.

[Form 2602.]

STATION FACILITIES FURNISHED FOR THE MAILS AND EXPRESS AND THE VALUE OF OTHER ITEMS OF SERVICE RENDERED.

*Mail expense.*

| | |
|---|---|
| Monthly cost of handling mail at stations, labor, etc | $14,241.67 |
| Monthly rental value of mail rooms in stations | 1,008.61 |
| Monthly rental value of tracks occupied by mail cars for advance distribution | 157.69 |
| Cost of lighting and heating mail cars for advance distribution | 114.25 |
| Value of 309,827 miles of free transportation to post-office employees, not including postal clerks in charge of mail | 6,196.54 |
| Switching mail cars for advance distribution | 2,795.80 |
| Total for November | 24,514.56 |

The foregoing does not include the rental value of space furnished by the railroad company to the Government for handling mails and mail trucks on station platforms, and for storing the mails on platforms at large terminals. This is a large item, but statistics of such space used were not called for. At Chicago station platform space to the amount of over 6,500 square feet is devoted exclusively to mails handled by the Burlington and Pennsylvania.

In addition to the foregoing, the Burlington Co. transported on its trains during November postal clerks in charge of mail for the Government a distance of 3,109,747 miles in the aggregate.

If the Government had paid their fare at 2 cents per mile the amount paid would have been $62,174.94.

These items of station facilities and other service rendered to the Government for the mails amounted to $86,689 for November, or at the rate of more than $1,000,000 annually.

*Express expense.*

| | |
|---|---|
| Rental value of space in station buildings used for express, for which no rent is paid | $488.68 |
| Rental value of tracks used for advance loading of express | 191.11 |
| Value of 42,298 miles of free transportation to express company officials and employees at 2 cents per mile | 885.96 |
| Total | 1,565.75 |

In addition to the foregoing, the agents and employees of the railroad company in the month of November rendered service at stations in handling express and in other ways for the express company to the amount of $10,274, but the express company paid to the same persons $14,538 in commissions.

The express company also shared in the salaries paid to certain baggagemen and other joint train employees in November to the amount of $7,480, in addition to the payment of commissions, as aforesaid.

All the items of expense to the railroad company on account of the express in the way of space furnished and free transportation to employees, and services of station agents, amount to $11,840, while the cash payments by the express company to the railroad company indirectly, through payments in commissions to station agents and the salaries of baggagemen amounts to $22,018, a pecuniary gain or income from express of $10,178 per month, or at the rate of $124,136 annually, compared with a large outgo annually on account of the mails as shown in the foregoing items.

## Exhibit C.

[Form 2603.]

*Revenues and expenses and train and car mileage.*

| | | |
|---|---|---|
| Revenues: | | |
| Receipts in November from all passenger traffic (not including mail and express) | | $1,859,839 |
| Receipts from express | | 187,825 |
| Receipts from mails | | 194,435 |
| Total | | 2,242,099 |
| Expenses: | | |
| Total operating expenses of the road for November | | 5,452,830 |
| Passenger operating expenses, and one-twelfth of the taxes and one-twelfth of the interest on the funded debt | | 2,365,521 |

The passenger operating expenses are distributed as follows:

ASSIGNABLE EXPENSES.

| | | |
|---|---|---|
| Transportation expense: | | |
| Fuel, passenger engines | $132,709 | |
| Salaries, passenger engineers | 100,511 | |
| Salaries, passenger trainmen | 87,557 | |
| Train supplies, etc | 55,664 | |
| Injuries to persons | 19,904 | |
| Station employees | 17,160 | |
| Joint yards and terminals | 15,610 | |
| Miscellaneous | 25,093 | |
| | | $454,208 |
| Maintenance of equipment: | | |
| Repairs, passenger cars | 67,650 | |
| Depreciation, passenger cars | 39,639 | |
| Miscellaneous | 337 | |
| | | 107,626 |
| Traffic expense: | | |
| Advertising | 17,249 | |
| Outside agencies | 16,673 | |
| Superintendence | 10,272 | |
| Miscellaneous | 4,777 | |
| | | 48,971 |
| Maintenance of way, etc.: | | |
| Buildings and grounds | 7,053 | |
| Joint tracks, etc | 4,440 | |
| Miscellaneous | 1,477 | |
| | | 12,970 |

| | | |
|---|---|---|
| General expense: | | |
| Salaries, clerks, etc | $8,994 | |
| Insurance | 2,478 | |
| Legal expense | 1,153 | |
| Miscellaneous | 955 | |
| | | $13,580 |
| Total | | 637,355 |

PROPORTION OF NONASSIGNABLE EXPENSES.

| | |
|---|---|
| Operating expenses | $1,278,016 |
| Taxes and interest | 450,150 |
| Total operating expenses, taxes, and interest | 2,365,521 |

Exhibit A shows that the entire space in all cars run on passenger trains on the Burlington in November was divided as follows:

| | Per cent of the space. |
|---|---|
| Passengers occupied | 80.8 |
| Mail | 11.75 |
| Express | 7.45 |

If each of these three classes of traffic had contributed earnings and paid expenses in proportion to the space occupied by it, the result in comparative profit or loss to the company would have been as follows:

*Comparative profit and loss.*

| | Earnings. | Expenses. | Profit. | Loss. |
|---|---|---|---|---|
| Passenger | $1,859,839 | $1,911,341 | ..... | $51,502 |
| Mail | 194,435 | 277,949 | ..... | 83,514 |
| Express | 187,825 | 176,231 | $11,594 | ..... |
| | 2,242,099 | 2,365,521 | ..... | ..... |

If the Government had paid to the Burlington Co. for carrying the mails 11.75 per cent of the actual cost of doing the work, and a proportion of the taxes and interest on the funded debt, it would, for November, have paid $83,514 more than was paid, indicating that for the year the Government is paying $1,002,168 less than the actual fair cost of the service it is receiving.

EXHIBIT D.

[Form 2605.]

*Statement of mail cars and apartment cars.*

POSTAL CARS.

| Kind of car. | Number owned. | Original average cost. | Present average value. |
|---|---|---|---|
| 60 feet or more in length | 49 | $5,176.00 | $4,669.84 |
| 50 to 59 feet in length | 10 | 4,116.00 | 2,595.70 |
| Less than 50 feet in length | 17 | 2,555.00 | 2,094.41 |
| Total | 76 | 4,451.00 | 3,820.84 |

APARTMENT CARS.

| | | | |
|---|---|---|---|
| Cars with mail apartments 30 feet or more in length | 27 | $3,888.00 | $2,112.78 |
| Cars with mail apartments 25 to 29 feet in length | 21 | 3,660.00 | 2,004.95 |
| Cars with mail apartments 20 to 24 feet in length | 22 | 3,292.00 | 1,810.50 |
| Cars with mail apartments less than 20 feet in length | 31 | 3,106.00 | 1,729.35 |
| Total | 104 | 3,460.00 | 1,901.71 |

## ELECTRIC AND CABLE CAR ROUTES.

### PROPOSED BILL TO EQUALIZE PAY FOR MAIL SERVICE ON.

The following correspondence is submitted relative to the above heading:

BOSTON ELEVATED RAILWAY CO.,
SECRETARY'S OFFICE,
*101 Milk Street, Boston, Mass., February 19, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-class Mail Matter and Compensation for Transportation of Mail, Washington, D. C.*

DEAR SENATOR: In compliance with my promise to you of March 3d, I am inclosing a copy of a bill which I have drafted and which has been submitted to the committee appointed by the American Electric Railway Association and which they have approved. This bill covers our needs and is drawn in accordance with the testimony that was given before your committee by the special committee of the American Electric Railway Association at the meeting held February 7, 1913.

This bill is drawn from the viewpoint that if such a bill should become incorporated in the post office appropriation bill or in the general law, the electric railway mail service would be paid about what it costs to carry on the service and would not be paid any profit thereon.

Thanking you for your courtesies to the committee and to myself, I am,

Yours respectfully,

HENRY S. LYONS, *Secretary.*

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A BILL To equalize pay for mail service on electric and cable car routes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:* The Postmaster General is authorized and directed to readjust the compensation to be paid from and after July first, nineteen hundred and fourteen, for the transportation of mails on electric and cable car routes upon the conditions and at the rates hereinafter mentioned.

First. For space the full width and height of inside of car and not exceeding thirty feet in length, authorized to be used in independent or trailer cars or in apartments in independent or trailer cars (except on interurban routes as hereinafter defined) 1½ cents per linear foot for each mile run in the performance of service.

Second. For closed-pouch service not performed in independent or trailer cars or apartments thereof entirely devoted to mail service, $150 per annum for the carriage of consignments of not more than three pouches two thousand miles or less in a year, $175 per annum for the carriage of such consignments more than two thousand and not more than three thousand five hundred miles in a year, and for additional mileage in excess of three thousand five hundred miles in a year at the rate of 5 cents per mile for the carriage of each such consignment five miles or less, and 3 cents per mile for each mile in excess of five miles, and for all pouches in a consignment in excess of three, 1 cent per mile additional.

Third. For all service on routes over twenty miles in length outside of cities (herein designated as interurban routes), the same rates provided by law to be paid for like service on steam railroads.

Fourth. A minimum annual rate on the basis of thirty thousand miles run shall be paid for all independent cars or apartments in independent cars required in the service.

SEC. 2. The Postmaster General is authorized and directed to provide for the carriage of the mails to and from electric and cable cars by the Post Office Department.

MARCH 27, 1913.

Mr. HENRY S. LYONS,
*Secretary Boston Elevated Railway Co.,*
*101 Milk Street, Boston, Mass.*

MY DEAR MR. LYONS: Referring to correspondence had with you relative to the proposed bill submitted by you and indorsed by the committee of the American Electric Railway Association to equalize pay for mail service on electric and cable car routes:

The statement I desired was one applicable to your own line, showing your receipts and expenditures in connection with the mail service rendered by your company to the Post Office Department under the present law and also under the proposed bill submitted by you. My idea was to secure an apportionment of the expenditures in connection with your mail service under the present law and to see how same would be affected if the bill were enacted into law. My request was not for a comparative statement of the receipts and expenditures of your company based on the total electric railway mileage of the United States.

Trusting that I have made myself clear, I am,

Yours very truly,

JONATHAN BOURNE, Jr.,
*Chairman.*

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BOSTON ELEVATED RAILWAY CO.,
SECRETARY'S OFFICE,
*101 Milk Street, Boston, Mass., April 7, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second Class Mail Matter and Compensation for Carrying the Mail, Washington, D. C.*

DEAR SENATOR: Our general auditor, Mr. J. H. Neal, has submitted to me a letter in reply to your inquiry as to what extra compensation the Boston Elevated Railway Co. would receive if the proposed bill to equalize the pay for mail service on electric and cable car routes were adopted. I inclose you a copy of his letter. The figures that he has worked out in reference to the increased compensation, should the rate for compartment cars be increased from 1 cent to 1½ cents per linear foot per car mile, will amount to $19,506.86, which would make the company whole. The figures that he has worked out, if we were guaranteed a minimum of 30,000 miles per car per year, are higher than we expected ($12,076.63), so that for that guaranty the cost to the Government would be more than we anticipated. This would practically be our profit for doing the mail business.

From Mr. Neal's statement some conclusion can be reached (by comparison of our mileage with the mileage of other roads) as to what the extra cost would be for carrying the mail on the electric car service of the United States if the proposed bill went into effect.

Very truly,

HENRY S. LYONS.

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GENERAL AUDITOR'S OFFICE,
*101 Milk Street, Boston, Mass., April 7, 1913.*

Mr. HENRY S. LYONS,
*Secretary, Boston Elevated Railway Co.*

DEAR SIR: Answering Senator Bourne's inquiry as to what extra compensation the Boston Elevated Railway Co. would receive if the proposed bill "to equalize the pay for mail service on electric and cable car routes" was adopted, I submit the following:

| | | |
|---|---|---|
| We were paid last year for independent car service, 195,291.37 miles, at 15.85 cents (being 1 cent per linear foot) | $30,426.40 | |
| 25,575.55 miles, at 20 cents | 5,115.11 | |
| | 35,541.51 | |
| Under the proposed bill this would amount to— | | |
| 195,291.37 miles, at 23.375 cents (being 1½ cents per linear foot) | 45,649.36 | |
| 25,575.55 miles, at 36.75 cents | 9,399.01 | |
| | 55,048.37 | |
| Difference | | $19,506.86 |

| | | |
|---|---|---|
| In addition to the above, if we were guaranteed 30,000 miles per car, as we should be, we would be paid additional as follows: | | |
| Eight 16-foot cars | $10,450.64 | |
| One 16-foot car out of commission most of the time, no charge. | | |
| One 20-foot car | 1,625.99 | |
| | | $12,076.63 |
| If we were paid 5 cents per mile (as this bill provides for) for pouch service, instead of 3 cents, we should have received additional | | 384.78 |
| | | 31,968.27 |

Yours truly,

J. H. NEAL, *General Auditor.*

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OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., July 25, 1913.*

Hon. JONATHAN BOURNE, jr.,
*Chairman of Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, Congress of the United States.*

MY DEAR MR. CHAIRMAN: Transmitted herewith is a memorandum prepared by the Second Assistant Postmaster General with respect to the proposed bill drawn by Mr. Henry S. Lyons, secretary of the Boston Elevated Railroad Co., to equalize pay for mail service on electric and cable car routes.

Yours very truly,

A. S. BURLESON,
*Postmaster General.*

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POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
*Washington, July 25, 1913.*

MEMORANDUM FOR THE POSTMASTER GENERAL.

Referring to the proposed bill, prepared by Henry S. Lyons, secretary of the Boston Elevated Railway Co., to equalize pay for mail service on electric and cable car routes, I have the honor to inform you as follows:

Paragraph 1, section 1, of the bill provides for an increase in the compensation allowed electric car lines for the performance of service in independent or trailer cars or in apartments in independent or trailer cars (except on interurban routes 20 miles in length outside of cities) over the existing maximum rate of 1 cent a linear foot for each mile run to 1½ cents per linear foot for each mile run. Should the bill become law it would result in an increase in the cost of this particular class of service of approximately $198,331.43 per annum.

The present authorized rate of compensation allowed electric car lines for space not exceeding 16 feet in length the full width and height of inside of independent or apartments in independent cars is 0.75 of 1 cent per linear foot for each mile run in the performance of service. For additional space not exceeding 4 feet in length the rate is 0.375 of 1 cent per additional linear foot for each mile run in the performance of service; and for additional space thereto 0.1875 of 1 cent per linear foot for each mile run. The act of Congress approved March 4, 1913, making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1914, contains a special provision in connection with the appropriation for electric and cable car service, under which the Postmaster General may, in cases where the quantity of mail is large and the number of exchange points numerous, authorize payment for service in mail cars or apartments carrying the mails at a rate per mile not to exceed the rate of 1 cent per linear foot per car mile of travel.

It will be seen, therefore, that it is proposed by the bill to allow electric car companies compensation for the performance of mail service at a rate 50 per cent above the present authorized maximum rate of 1 cent per linear foot for the performance of service under special conditions, while the increase in compensation for the performance of service under normal conditions is from 200 to 500 per cent. It is not believed that the conditions affecting electric car companies performing this particular class of service warrant such a large increase in their compensation.

Paragraph 2, section 1, of the bill provides for a rate for closed-pouch service not performed in independent or trailer cars or apartments thereof entirely devoted to

mail service of $150 per annum for the carriage of consignments of not more than three pouches 2,000 miles or less in a year, $175 per annum for the carriage of such consignments more than 2,000 and not more than 3,500 miles in a year, and for additional mileage in excess of 3,500 miles in a year at the rate of 5 cents per mile for the carriage of each such consignment 5 miles or less, and 3 cents per mile for each mile in excess of 5 miles, and for all pouches in a consignment in excess of three, 1 cent per mile additional.

The present authorized rates for closed-pouch service not performed in independent or trailer cars or apartments thereof are $150 per annum for an annual travel of 2,000 miles or less, $175 per annum for an annual travel of more than 2,000 miles and not more than 3,500 miles, $200 per annum for an annual travel of more than 3,500 miles and not more than 5,000 miles, $250 per annum for an annual travel of more than 5,000 miles and not more than 8,333 miles, and for more than 8,333 miles of annual travel 3 cents per mile run.

The act of Congress approved March 4, 1913, making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1914, contains a special provision in connection with the appropriation for electric-car service, under which the Postmaster General may, in cases where the quantity of mail is large and the number of exchange points numerous, authorize payment for closed-pouch service at a rate per mile not to exceed one-third above the rate per mile now paid for closed-pouch service. Under this special authority the department is permitted to allow electric-car companies, where the conditions are unusual, compensation at the rate of 4 cents a mile of travel.

From the foregoing it will be noticed that the proposed bill limits the number of pouches to three that can be dispatched by a single trip without extra compensation, while there is no limitation placed on the number of pouches that can be dispatched by a single trip under the present law.

This section as drawn is impracticable and ambiguous. The impracticability consists in the limitation placed upon the number of pouches that could, under such a law, be dispatched by a single trip without the allowance of extra compensation to the carrying company. Under the present authority of law for the authorization of this class of electric-car service, the department is enabled to authorize a specific service at a specific annual rate of compensation. Under such conditions it is in position to tell at any time the actual annual rate of expenditure for electric-car service and to make close estimates to Congress of the amount of appropriation that will be required for the service for the next fiscal year. Should the proposed bill become law the department would not be in position to authorize closed-pouch service at specific annual rate, as it would be impossible to ascertain the exact number of pouches that might be available for dispatch by each and every trip of authorized service. Under such a condition it would be necessary either to authorize a specific service for the handling of a certain number of pouches and to require postmasters to obtain special authority for the dispatch of extra pouches when necessary, or to authorize service at an indefinite annual rate and to require the dispatch of all pouches. Under the former plan mail would be subjected to delay pending receipt of authority from the department for its dispatch, while under the latter plan the department would not at all times be in possession of information with respect to the actual rate of annual expenditure and would be handicapped in making estimates to Congress for appropriations.

This section of the bill is ambiguous with respect to the use of the words "consignments" and "all." The word "consignment" usually refers to a shipment of goods or commodities sent or addressed to a consignee at one time or by one conveyance. The ambiguity is demonstrated by the following example: A route is authorized from A by B and C to D. A has for dispatch by a single trip three pouches to B, three to C, and three to D. It is not clear from the wording of the bill whether such a dispatch of mail is to be considered as a single dispatch of nine pouches for which the company would receive compensation at the stated annual rate allowed for the transportation of not exceeding three pouches and additional compensation for the excess of six pouches, or whether such a dispatch would be considered as three "consignments" and the carrying company allowed compensation at the stated annual rate of $150, $175, etc., as the case may be, for each consignment. Under the usual meaning of the word "consignment" such a dispatch of mail would clearly be three consignments leaving a single point for delivery at three different points. The question becomes further involved, as the postmaster at B would have dispatches for C and D, which would make additional consignments; and the "consignments" on each trip would continue to increase at every post office on the route in both directions.

The meaning of the word "all" is ambiguous in that it is not known whether it is intended to be used in an individual or collective sense. For example, in the case

mentioned above, there were nine pouches dispatched by A for B, C, and D. If the dispatch is to be considered as a single consignment, the carrying company would be entitled under the terms of the proposed bill to extra compensation for the additional six pouches. It is not clear, however, whether the extra compensation would be 1 cent a mile for the six pouches, or 1 cent a mile for each pouch or 6 cents a mile for the six pouches.

Owing to the ambiguity of the paragraph the department is unable to state what the approximate increase in the cost of this particular class of service would be, but it is apparent that the increase would be large under any construction placed upon the wording of the paragraph.

Paragraph 3 of section 1 provides that all electric lines over 20 miles in length outside of cities shall be paid at the same rate provided by law for like service on steam railroads. The present law governing this particular class of service provides that the rates for electric car service on routes over 20 miles in length outside of cities shall not exceed the rates paid for service on steam railroads. The practice of the department under this provision of law is, that companies performing the service on routes over 20 miles in length outside of cities are paid at the electric car rate where the annual rate of compensation at the fixed mileage rates for electric car service does not exceed the pay that could be allowed a steam railroad company performing the same service. In cases where the annual compensation of an electric car company at the fixed mileage rates for electric car service would exceed the rate of compensation that could be allowed for steam service over the same line, the pay of the company is stated at the steam railroad rate of compensation.

If it is deemed advisable to have a provision of this kind in the bill it should be specificially provided that steam railroad compensation can be allowed electric car companies only where substantially the same degree of service is rendered.

Should the bill become law the additional cost to the department for this particular class of service would be approximately $18,000 per annum.

Section 4 of paragraph 1 provides that a minimum annual rate on the basis of 30,000 miles run shall be paid for all independent cars or apartments in independent cars required in the service. This provision is ambiguous with respect to the use of the word "all" in the same sense that the word is used in connection with paragraph 2 of section 1; that is, it is not understood whether it proposes to allow the electric company performing the service compensation on the basis of 30,000 miles of annual travel for each car, or compensation on the basis of 30,000 miles of annual travel regardless of the number of cars used in performing the service. Should the bill become law it would result in a material increase in the cost of this class of service in addition to the increase that would result from increasing the maximum rate per linear foot per mile run from 1 to 1½ cents.

Section 2 of the bill proposes that the department shall provide for the carriage of the mails to and from electric and cable cars. Under the present practice electric car companies are required to perform the terminal service except in cases where such service imposes an unusual hardship upon them, the terminal mileage being figured in and paid for as part of the route. At intermediate points the electric car companies are required to perform the service between their cars and the post offices at those points where the post offices are located directly on the street along which the cars pass, or at points where they have agents and the post offices are located within 80 rods of the depot. At points where the post offices are not located directly on the street along which the cars pass and at which the company has no agent the department provides for the service. It is estimated that the cost to the department of providing the side and terminal service between electric car lines and post offices would be approximately $232,000 per annum.

This service is similar to that which steam railroads are required to provide in connection with the performance of mail service, and there appears to be no good reason for relieving electric car companies of the performance of such service and requiring steam railroads to perform it, especially in view of the fact that the bill seeks to place the compensation of electric lines over 20 miles in length outside of cities on a par with the compensation allowed steam railroads for the performance of similar service.

The tentative draft of the proposed law for regulation of compensation allowed electric and steam railroads for the transportation of the mails, contained in House Document No. 105, as modified by letter of the Postmaster General dated January 20, 1913, is believed to provide a scientific and equitable plan for the fixing of compensation for the carriage of mails by railroads, both steam and electric.

JOSEPH STEWART,
*Second Assistant Postmaster General.*

## MEMORANDA ON RELATIVE PER TON RATE RECEIVED BY THE RAILROAD COMPANIES FOR THE TRANSPORTATION OF FREIGHT, MAIL, AND EXPRESS.

On February 26, 1913, when the Post Office appropriation bill for the fiscal year ending June 30, 1914, was pending in the Senate, Senator Ashurst made certain observations bearing upon the foregoing heading, which are quoted from the Congressional Record of that date, pages 4187 and 4188, as follows:

STATEMENT OF SENATOR ASHURST, OF ARIZONA.

Mr. ASHURST. Mr. President, recurring to page 20, paragraph 76, I find to my astonishment that there is an increase from $49,000,000 to $51,500,000 to pay for inland transportation on railroad routes. I have received much literature from the "down-trodden" railroads of the country stating that they are insufficiently paid for the transportation of the mail. I believe, however, that I can demonstrate in a moment to the satisfaction of the Senate that the railroad companies instead of being underpaid for the transportation of the mails are overpaid. These railroad companies while pretending to be underpaid are overpaid for transporting the mails. The table which I hold in my hand gives a comparison of the railroad rates for carrying mail, freight, and express. I request the Secretary to read the table of figures which I send to the desk.

The PRESIDENT pro tempore. In the absence of objection, the Secretary will read as requested.

The Secretary read as follows:

THE RAILWAY POSTAL GRAFT.

The following table, giving a comparison of the railroad rates for carrying mail, freight, and express, was prepared by Prof. Henry C. Adams, statistician of the United States Postal Commission (generally known as the Wolcott Commission). Some revisions have since been made (1907), but they are too slight to affect the disparity in charges here shown:

| | |
|---|---|
| New York City to Buffalo, 440 miles: | |
| 1 ton mail | $31.65 |
| 1 ton freight | 7.80 |
| 1 ton express | 12.50 |
| 100 pounds mail | 1.58 |
| 100 pounds freight | .39 |
| 100 pounds express | .63 |
| New York City to Chicago, 1,000 miles: | |
| 1 ton mail | 71.39 |
| 1 ton freight | 15.00 |
| 1 ton express | 25.00 |
| New York City to San Francisco, via New York Central, Lake Shore, Chicago, Burlington & Quincy, Union Pacific, and the Southern Pacific: | |
| 1 ton mail | 265.53 |
| 1 ton freight | 60.00 |
| 1 ton express | 135.00 |
| 100 pounds mail | 15.28 |
| 100 pounds freight | 3.00 |
| 100 pounds express | 6.75 |

The railroad rate for mail, however, is much higher than shown in the foregoing table.. The Government is cheated in the weighing of the mails, and is charged exorbitant rent for the use of the mail cars. In 1911 the Government paid an average rental of $3,575.10 for each postal car. The average original cost of a wooden mail

car is between $6,500 and $7,000. Taking all this into consideration, the cost of carrying mail is probably eight or nine times the cost of carrying express matter.

Mr. ASHURST. Mr. President, being impressed with the injustice perpetrated by some mail-carrying railroads, I made an investigation. I do not know that I could more succinctly state my conclusions and findings with respect to that investigation than by reading what I said, upon the occasion of my election to the Senate, in my address to both houses of the legislature of the State of Arizona. I read from that address as follows:

"THE GOVERNMENT COULD SAVE MILLIONS BY USING ITS OWN POSTAL CARS.

"The United States pays each year to the railroads $4,800,000 for rent of postal cars with which to carry the mails, and the railroads usually furnish wooden cars that 'telescope' during wrecks and kill or maim the underpaid and overworked postal clerks. Remember that this $4,800,000 paid to the railroad companies each year as rental for the post-office cars is in addition to the $46,000,000 paid each year to the railroad companies for carrying the mails. Consider for a moment what an enormous sum of money could be saved to the Government if it would build its own cars.

"The most expensive car, all steel, costs $12,000 and its average life is 25 years, so that with this $4,800,000 which the Government pays the railroads each year for the rent of cars we could build 400 steel cars annually.

"The sum of money, aggregating $46,000,000 annually"—

That was the amount when these figures were prepared by me. Now it is proposed to increase the amount to the sum of $51,500,000—

"for carrying mail, is reached because railroads charge the United States 4¾ cents per pound for carrying mail matter, but the railroads carry the express matter for express companies at three-fourths of a cent per pound. Such robbery of the Government must not be permitted to continue."

Therefore, Mr. President, I am prompted, in view of my knowledge of these facts, to inquire the reason for the increase, as indicated on page 20 of this bill, from $49,000,000 to $51,500,000 for the transportation of the mails, when the pay received by the railroad companies for transporting the mails is about two and one-half times greater than the compensation they receive for transporting express matter; and, in addition, the Government pays for the rent of the postal cars?

Mr. BOURNE. Has the Senator completed his inquiry?

Mr. ASHURST. I have.

Mr. BOURNE. The average increase in postal receipts and postal expenses is about 7 per cent per annum, according to the tables of the last 10 years. That is the normal growth of our postal service. The appropriations for railway mail pay are based upon estimates to comply with existing law. The estimate of the department is much higher than the appropriation recommended by the Senate committee. The House bill proposes to appropriate $49,000,000. Last year Congress appropriated $47,647,000.

Mr. ASHURST. May I interrupt the Senator just long enough to ask a question?

Mr. BOURNE. Certainly.

Mr. ASHURST. Is it not true that the railroad companies receive two or three times more from the Government for carrying the mails than they do from the express companies for carrying express matter?

Mr. BOURNE. In my opinion, most certainly not. In my opinion, and I am simply stating my own personal opinion——

Mr. ASHURST. I have a high regard for the Senator's opinion.

Mr. BOURNE. There exists a gross misapprehension on the question of overpayment to the railroads in the way of railway-mail pay. In my opinion—not yet a conviction, but an opinion—a misapprehension also exists in reference to the desirability of Government ownership and operation of railway post-office cars. Postmaster General Vilas, in 1887, made a statement in his report which, I assume, led the American people to the conviction that it would be cheaper for the Government to own and operate the railway post-office cars, and that they would save inferentially, according to his presentation, a million dollars and a half over the annual appropriations made for the railway post-office car service. Under the last Post Office appropriation bill a joint committee was created to investigate and report to Congress in reference to railway-mail pay and second-class postage. That committee, of which I am a member, has held a number of hearings, and in the testimony before the committee, under oath, a number of railroad representatives have stated that they receive less pay for carrying the mail than they receive for passenger service or express service. The committee has not yet concluded its investigations or formed its conclusions. I am satisfied, however, that the problem can be solved, and that the facts can be demonstrated clearly to the satisfaction of every Member of Congress and to the edification and education of the American people on those points.

Mr. ASHURST. Mr. President, do I understand the Senator to say that some gentlemen appearing before the commission testified that they receive no larger sum of money for carrying the mails than they receive for carrying express matter?

Mr. BOURNE. That they received less.

Mr. ASHURST. For carrying the mail?

Mr. BOURNE. For carrying the mail than they received for passenger service or express service, and, as I have said, they made that statement under oath. That is their testimony.

I will say, for the information of the Senator from Arizona, that I believe the problem will be solved and the facts will be clearly demonstrated. My own opinion is that the public are greatly mistaken in their judgment, based on the report of Postmaster General Vilas, in 1887, and on what is known as Document 105, in which the Postmaster General, in his suggestion of the plan of the department of the substitution of space for weight as the measure of the service rendered, leaves the reader to infer that we are overpaying the railroads $9,000,000.

Mr. ASHURST. Mr. President, I am glad I asked the question, because the Senator has courteously and very clearly stated his opinion. In asking the question I am not in any manner criticizing the committee nor the honorable Senator from Oregon, whose services to the public, in my judgment, are probably not appreciated as much as they should be. I am glad to have him give me this explanation, but if some gentlemen have testified before his committee or before any committee that the railroads do not receive more for carrying the mails than they do for carrying express matter, I am shocked. I will not characterize such testimony further, but I believe it is common knowledge——

Mr. BOURNE. Common opinion, I think.

Mr. ASHURST. Common opinion—I beg the Senator's pardon—common opinion based on fact—that the railroad companies do receive much more money for carrying the mails than they do for carrying express matter.

The foregoing statement prompted a response in the form of a memorandum, dated June 18, 1913, prepared by Mr. V. J. Bradley, general supervisor of mail traffic, Pennsylvania Railroad Co., and submitted to the joint committee by Mr. Ralph Peters, chairman committee on railway-mail pay, which memorandum reads as follows:

COMMENTS ON THE SPEECH OF UNITED STATES SENATOR ASHURST, OF ARIZONA, IN THE DEBATE IN THE UNITED STATES SENATE ON THE POST OFFICE APPROPRIATION BILL, FEBRUARY 26, 1913.—(CONGRESSIONAL RECORD, PP. 4187–4188.)

Senator Ashurst quoted comparative figures prepared by Prof. Henry C. Adams and submitted to the Wolcott Commission, in his report of February 1, 1900 (pt. 2, p. 237). These purport to show the relative earnings from freight, express, and mail traffic between New York and Buffalo, New York and Chicago, and New York and San Francisco per 100 pounds or per ton. The rates given, for example, from New York to Chicago per ton were—freight, $15; express, $25; mail, $71.39.

The association of these figures in close comparison invariably suggests the thought that if the rates were fair the respective amounts should be substantially equaled. Evidently this was the thought entertained by Senator Ashurst; yet the comparison is like assuming a substantial equality between an elephant, a horse, and a dog because they are all quadrupeds.

If one seeks a dissimilarity in rates for an apparently similar service, he could obtain an illustration in the passenger traffic alone. A passenger traveling on immigrant rates would pay for the trip from New York to Chicago $15; another passenger traveling from New York to Chicago on a 20-hour limited train would pay (including $5 Pullman car fare) $31; yet both of these passengers would obtain transportation for the same number of miles, although the rate for one of them is over 100 per cent greater than for the other. There is a difference, however, in the speed of the journey and in the accommodations furnished en route.

Of course, a comparison can be made between freight, express, and mail traffic rates; but the process requires that so many allowances and modifications be made for dissimilarities that develop requiring personal estimates and judgment as to the value of these modifications that the result could not be considered mathematically accurate.

In the illustration given by Prof. Adams it is first necessary to point out that the figures quoted by him for express earnings for the railroad company are not correct.

The hearings (vol. 2, pp. 516 and 527) show this to be a fact. He calculated the railway earnings from express traffic by taking 50 per cent of the American Express Co.'s rate on packages each weighing 100 pounds. He thus ignored all the small packages less than 100 pounds in weight, on which the proportion of earnings is much greater. He made his calculation regardless of the fact that the average weight of express packages, including the heaviest as well as the lightest, was testified to as being 30 pounds (p. 518). He gives the railway earnings from 100 pounds of express traffic New York to Chicago as $1.25; but the actual earnings, as testified to under oath (p. 516), was $2.59.

Therefore, if the comparison is made, the figures to be used at that time were New York to Chicago per ton—freight, $15; express, $51.80; mail, $71.39. It would be interesting to compare similar earnings of to-day, but it is learned that the American Express Co. has no data. The freight earning is the same, $15. The earning from United States mail has been reduced to $56.91 per ton instead of $71.39.

Each of these shipments, whether by freight, by express, or by mail, get the same length of haul, but the question at once presents itself (as in the illustration just given regarding passenger rates) whether greater speed, superior accommodations, and extra services do not fully account for the difference in the rates.

The freight service easily separates itself from the comparison because it is a carload traffic at a slow speed, only about one-third or one-fourth as fast as the passenger-train schedules upon which the mail and express services are performed. Being moved almost at the convenience of the railroads, it can be assembled into economical carloads and trainloads, and can be transported at a rate that is very low either per ton or per 100 pounds.

The comparison is thus reduced to the express and the mail traffic, both of which are carried on passenger-train schedules, but with the difference that the railroad company performs a great many services for the United States mail that the express company performs for itself, and the railroad company assumes a much greater responsibility for the mail than it does for the express traffic. These differences are quite fully set forth in the testimony before the joint congressional committee, March 28, 1913, pages 437 and 438. It is difficult to ascribe a definite cash value for all of these enumerated differences. However, the greater frequency of mail dispatches, coupled with the light quality of the mail traffic, causes a much smaller loading per car. It is estimated that the mail load per car is about 3 tons, whereas in the express service it is 6 or 7 tons per car. This fact, together with the high character of the postal-car equipment requiring greater cost of construction and maintenance, would account for a considerable difference in the rates. Further debits against the mail traffic would have to be made for other differences, such as the free transportation of large numbers of postal officers and employees, the expense of loading and unloading trains, and the station and terminal facilities for which the express companies make special payments while the United States mail does not; performance of side and terminal messenger service to and from post offices for which there is no similar service performed by the railroad company for the express company; the construction and maintenance of mail cranes and receivers; the advance placing of postal cars; the responsibility for loss and damage, etc. (the express company assumes entire responsibility for its own traffic and its own employees). These are all subjects for consideration as justifying a much higher rate of pay to the railroad company from the mail service than from the express service.

V. J. Bradley.

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Desirous of securing intelligent and impartial consideration of the conclusions reached in the foregoing statement and memorandum, the chairman of the joint committee, on June 27, 1913, submitted same to Dr. M. O. Lorenz, associate statistician of the Interstate Commerce Commission, and in response he submitted a memorandum, dated July 8, reading as follows:

MEMORANDUM REGARDING A COMPARISON OF RATES PER TON FOR MAIL, EXPRESS, AND FREIGHT USED BY SENATOR ASHURST (CONGRESSIONAL RECORD, FEB. 26, 1913, P. 4187).

In a report on railway-mail pay by Mr. H. C. Adams submitted to the Wolcott Commission (Rept., Vol. II, p. 237, 1900) appears a table containing the figures used by Senator Ashurst. Mr. Adams introduced the table with the following observations:

"As corroborative evidence of the impression that railway-mail compensation upon dense routes constitutes overpayment to the railways, the following statement is introduced, showing the rates received by railways per ton and per hundredweight for the transportation of mail, of first-class freight, and of express over certain selected lines. The theory of selection was to include in this statement all routes which received 7 to 8 cents, 8 to 9 cents, and 9 to 10 cents per ton per mile for carrying the mail. These routes take the cities of New York, Chicago, Cincinnati, and Atlanta as centers, and proceed from these centers to selected points."

After giving the table, Mr. Adams continues as follows: "In view of what has gone before, comment is unnecessary upon the above statement. It bears its own lesson. A word of explanation, however, appears necessary. The rates selected for comparison are the 100 pounds commodity rates for freight and express, the commodities selected for the freight rates being those included in first-class freight. This is believed to be a fairer basis of comparison [compensation] than average rates, which for freight traffic would result in depressing the rates and for express traffic would result in raising the rates as compared with those expressed in the table. It should also be stated that the rate per 100 pounds for express matter stated in the table is one-half the charge which express companies make to the shipper, this being accepted as the portion of the express charges which comes to the railways as compensation for transporting express matter. The reason for accepting one-half of the amount charged the public as the railway earning from express matter is that this is in general conformity with the contracts upon which this business is carried on. Strictly speaking, the rates on first-class freight should also have been reduced to make allowance for the fact that these rates cover many expenses from which the railways are excused in cases of both mail traffic and express traffic, but so difficult is it to determine the allowance that should be made on this account that it seems better to insert the schedule rate."

It will be seen from these comments that, while Mr. Adams is treating here especially of the dense routes, the impression produced by the remarks of Senator Ashurst is the impression which Mr. Adams intended that his figures should produce. In short, the fact that the Government paid more per ton for the transportation of the mails between certain cities than the first-class freight rate between those cities was regarded as an indication that the Government paid too much. Mr. Adams's report was prepared more than a decade ago; but if we should substitute the figures of to-day for those which he used the impression would be essentially the same. Take the rates from New York City to Buffalo: The first-class freight rate to-day is 39 cents per 100 pounds, which is $7.80 per ton, which is exactly the same as given by Senator Ashurst. The express rate is $1.25 per 100 pounds, or $25 per ton. One-half of this is $12.50, which, again, is the same as given in the statement of Senator Ashurst. The mail route from New York to Buffalo is reported as having an average daily weight of 389,441 pounds. (Doc. 105, p. 190; this is the weighing of 1909; the weighing of 1913 has not yet been tabulated.) This weight is equivalent to 71,073 tons for 365 days. The annual compensation was $1,904,480, or $26.80 per ton. The corresponding figure from the Adams report is $31.65.

The criticism has been made by Mr. V. J. Bradley, general supervisor of mail traffic, Pennsylvania Railroad Co., that the express rate given is not representative, because the smaller packages take a higher rate. It is true that the average weight per package of express matter is less than 100 pounds. The average given in the Interstate Commerce Commission's first annual report of the Statistics of Express Companies, covering a period of three months, was 32.80 pounds per piece. The rate for a 30-pound package between New York and Buffalo is 70 cents, which is equivalent to $46.66⅔ per ton. One-half of this is $23.33, which is nearer to, but still less than, the mail rate.

It is undoubtedly true that the railways get more from the Government for the transportation of mails per ton-mile than they do from shippers of freight per ton-mile, and probably more than they get from express companies per ton-mile. But whether this indicates overpayment for carrying the mails depends on whether the ton-mile unit is the proper basis of comparison between these services. That there are important differences between the carrying of the mails and the carrying of even first-class freight is obvious. If the experiment should be tried of carrying all mail by first-class freight, we probably should be impressed with the fact that these differences are real. How can we measure these differences in terms of money? To my mind the only

convincing way is to make a study of the operating expenses attributable to each service. The difficulties of making an accurate estimate of such expenses need not be discussed here, as they have been set forth fully in the hearings recently before the committee on railway-mail pay.

It will be sufficient to say here that it can be demonstrated beyond question that it costs considerably more to haul a mail car a mile than it does to haul a freight car a mile, and the number of tons of mail in a mail car on an average will be less than the number of tons of less-than-carload freight in a car even on the denser routes. It follows that the cost of hauling a ton of freight a mile, and probably even a ton of first-class freight, will be considerably less than the cost of hauling a ton of mail for a given distance. For these reasons it seems to me misleading to present a table giving freight rates and mail rates per ton-mile, or per ton for a given distance, with the idea of showing that the latter are higher for a similar service.

With regard to the comparison of mail and express rates: I have no special data regarding the dense routes in question. Considerable information regarding the relative earnings from the mail and other passenger train services will be found in the record of the recent hearings before the committee on railway mail pay on the following pages: No. 2, pages 324, 325, 327–328, 333, 335, 362, 427, 437; No. 3, page 526. This testimony seems to indicate that the earnings per car-foot mile are less in the mail service than for the other passenger train services taken together, it being difficult to segregate the express. This segregation, however, is made by two systems, the Pennsylvania lines and the Santa Fe, the former showing a greater earning from express on this basis, and the latter a smaller earning than from the mail. The comparisons are not made per ton-mile, and to my mind this would have less significance, because any difference existing between the mail and express service in the net load per car would affect not only the earnings per ton-mile but also the expenses per ton-mile.

In general, it may not be inopportune to remark that the quotations made by Senator Ashurst from the report of Mr. Adams suggest the importance of clearly distinguishing between two problems: (1) Is the total appropriation made for railway mail transportation too large or too small; and (2) Is the total amount fairly distributed among the various classes of railway systems? In this connection the following table may be of interest. It shows the earnings from the mails per car-mile for the various routes grouped according to density of mail traffic.

*Railway mail pay and mail-car mileage.*

| Average daily weight. | Length of routes reporting. | Total pay per month. | Car miles in November, 1909. | Total mail pay per car mile. |
|---|---|---|---|---|
| | *Miles.* | | | *Cents.* |
| 211 pounds or less | 20,739 | $70,936 | 269,625 | 26.3 |
| 212 to 519 pounds | 20,810 | 92,419 | 348,319 | 26.5 |
| 520 to 1,019 pounds | 27,377 | 168,047 | 726,664 | 27.7 |
| 1,020 to 1,519 pounds | 17,499 | 138,004 | 672,315 | 20.5 |
| 1,520 to 2,059 pounds | 8,357 | 80,206 | 368,525 | 21.8 |
| 2,060 to 3,559 pounds | 18,486 | 200,191 | 984,463 | 20.3 |
| 3,560 to 5,079 pounds | 12,671 | 168,801 | 870,197 | 19.4 |
| 5,080 to 48,103 pounds | 59,084 | 1,522,783 | 8,271,706 | 18.4 |
| 48,104 pounds and over | 9,564 | 1,422,550 | 6,550,379 | 21.7 |
| All reporting | 194,587 | 3,863,939 | 19,062,193 | 20.3 |

This table was prepared from data in Document No. 105, the annual pay being divided by 12 to get the pay for one month, and the car-foot miles being divided by 60 to get the car miles. With these results it is of interest to compare the average earnings per passenger-train car mile as given by the secretary of the Interstate Commerce Commission (hearings, No. 2, p. 362):

| | *Cents.* |
|---|---|
| For small roads | 27.45 |
| Class 2 roads | 28.59 |
| For large roads | 25.35 |
| All roads | 25.43 |

No exact comparison can be made between these two sets of figures because the table is arranged by routes, whereas the earnings last quoted are by roads, but the impression which they give is decidedly different from that derived from the table under discussion in the report of Mr. Adams.

M. O. Lorenz.

## NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.

### Would this Company be the Gainer if Relieved from the Carriage of United States Mail?

Referring to testimony of Mr. John Hall Bowman, special accountant of the above-named railroad (pp. 277 to 298, inclusive, hearings Feb. 17, 1913, vol. 1) and to brief discussed therein entitled "A brief memorandum of the results of an investigation made by Price, Waterhouse & Co., chartered accountants, which are described fully in the report to C. S. Mellen, president, under date of October 31, 1912," the following memorandum by Dr. M. O. Lorenz, associate statistician, Interstate Commerce Commission, is submitted to remove what he regards as an erroneous impression of the testimony and report referred to:

Washington, *May 2, 1913.*

Hon. Jonathan Bourne, Jr.,
*Washington, D. C.*

Dear Senator Bourne: It may be of interest to you to have a statement of just what Mr. Bowman's original report shows. While it is undoubtedly true that the present law works out unjustly in the case of the New Haven, nevertheless Mr. Bowman's figures hardly warrant the impression which Mr. Lloyd and yourself obtained from his testimony, namely, that this road would have been the gainer if it had not carried the mails in recent years at all. We must recognize a distinction between what have been called "out-of-pocket" costs and total operating expenses, both of these being distinguished from "total operating expenses, taxes, and fair return on investment." The carrying of the mails occasions out-of-pocket costs for the maintenance of mail cars, certain extra wages, lubricants, fuel, etc. If the mail revenue did not cover such expenses this traffic would be a drain on surplus, but there are other operating expenses which are no more directly connected with the mail traffic than are interest charges. Thus, the rotting of the ties would go on whether there were mail cars in the train or not; bridges would have to be painted, washouts repaired, and so forth, even if the mail traffic were discontinued. Concerning this the Interstate Commerce Commission has recently said:

"However, it should be borne in mind that the costs as here figured include practically all of the costs except return upon capital account. It has been roughly estimated that of the total costs only about 50 per cent are what may be termed out-of-pocket costs—that is, the cost of fuel, wages of crews, and repairs of locomotives and cars. The other 50 per cent is made up of salaries of general officers, way and structure account, etc., to which the carrier would be subject, whether or not the particular commodity moves. In other words, when the carrier claims that the cost of moving the coal is 4 mills the actual outlay on the part of the carrier for the particular business is not much in excess of 2 mills.

"Anything above the out-of-pocket cost of handling is a contribution to general expenses, and to that extent tends to relieve rather than burden other traffic." (Opinion No. 2141, Louisville & Nashville Railroad Coal and Coke Rates, decided January 7, 1913.)

While I think there is danger of carrying this out-of-pocket cost theory too far, it should be kept in mind in considering the figures submitted concerning the New Haven. The danger of carrying the theory too far lies in this, that even an expense apparently so remotely connected with the amount of traffic as the replacing of ties or painting of bridges may in the long run grow with the traffic. Thus, the growth in the number of cars hauled may eventually be so great as to require new terminal facilities and perhaps a second or third track. Then there will be additional ties to replace and additional or larger bridges to maintain—all on account of the increased number of cars handled. In short, the proportion of costs which may be considered

"out of pocket" depends on the length of time under consideration. From the following table, giving Mr. Bowman's figures as he prepared them, it will be seen that the mail revenue was considerably more than half the operating expenses (including taxes):

*Costs assignable to mail traffic, 1911.*

| | |
|---|---|
| Operating expenses and taxes | $944,217 |
| "Fair return" on investment | 531,002 |
| | 1,475,219 |
| Less "secondary revenues" regarded as a credit to operating expenses | 99,430 |
| Amount "legitimately" expected of mail traffic equals | 1,375,789 |

This $1,375,789 he then compares with the actual revenue from mails in that year of $646,846. It may be noted incidentally that this actual revenue amounts to about 3 mills per car foot-mile, or about 18 cents per mail car hauled a mile. The adoption of the space basis with a rate per car mile or per car foot-mile based on the average passenger-car mile earnings in the United States would thus radically increase the pay to this road, even though it would still fall short of the pay they would regard as "legitimate."

Yours very truly, M. O. LORENZ.

## PENNSYLVANIA RAILROAD SYSTEM—UNITED STATES MAIL SERVICE, NOVEMBER, 1909. (REDUCED TO ONE DAY'S WORK ON 1 MILE OF ROUTE.)

The following statement, prepared by Mr. V. J. Bradley, general supervisor of mail traffic, the Pennsylvania Railroad System, is submitted explanatory of the above heading:

| | Per annum. | Per month.[1] | Per day. | Per mile of route per day. |
|---|---|---|---|---|
| Length of routes, miles, railroad company's figures | 9,726.42 | 9,726.42 | 9,726.42 | ..... |
| Length of routes, miles, Post Office Department's figures | *9,834.62* | *9,834.62* | *9,834.62* | ..... |
| Number of tons of mail carried 1 mile | *79,613,096* | *6,543,540* | *218,118* | 22.4 *22.2* |
| Number of mail-car foot-miles, railroad company's figures | 1,854,620,480 | 152,434,570 | 5,081,152 | 522 |
| Number of mail-car foot-miles, Post Office Department's figures | *1,536,396,690* | *126,279,179* | *4,209,306* | *428* |
| Mail pay (including R. P. O. car pay), railroad company's figures | $5,868,870.84 | $488,709.67 | $16,290.32 | $1.67 |
| Mail pay (including R. P. O. car pay), Post Office Department's figures | *$5,864,516.04* | *$489,072.57* | *$16,302.42* | *$1.65* |

[1] Month of November, 1909.

The last column shows (on the basis of 60-foot cars) that the company moved 22 tons of mail 1 mile for $1.67 and used 8.7 cars in the operation. (The Post Office Department would only admit needing 7 cars for the operation.)

## RAILWAY MAIL PAY.

[Literature submitted by Mr. J. Kruttschnitt, chairman executive committee, Southern Pacific Co.]

The following letter from Mr. Kruttschnitt to the chairman of the joint committee on the foregoing subject, together with the literature indicated therein, is by direction of the chairman submitted in the order stated: [1]

NEW YORK, *May 6, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for Transportation of Mail, United States Senate, Washington, D. C.*

MY DEAR SENATOR: Referring to our recent conversation, I inclose the following literature on railway mail pay, to which I had reference when speaking to you:

1. Copy of a pamphlet which I used on March 1, 1909, in dealing with the question of inadequacy of railway mail compensation. On pages 28 and 31 you will find a reference to pay for railway postal cars and on the lower part of page 30 the statement to which I referred, that in one instance the pay was equal to the fare of a single passenger.

2. A small pamphlet entitled "Railway Mail Pay Primer," which was given wide distribution throughout the country, being written in a form that we thought would be most readily understood by the average individual not familiar with the details of railway mail transportation.

3. Circular No. 6, of February 10, 1910, issued by the committee on railway mail pay, in which comparisons are made between mail and express rates, statements also being given of the inadequate compensation for postal cars, this circular being accompanied by three graphic charts, Exhibit C being of especial interest as showing the payment for postal cars compared with revenue from empty passenger cars, and loaded and empty freight cars.

Should you desire to refer to my testimony before the commission to investigate the postal service in 1898 and 1899, you will find it in the report of the proceedings of that commission, part 1, page 75, giving evidence for the Southern Pacific Co., there being contained on pages 132 and 133 a comparison that I think you will find interesting between services performed for mail and express. In part 2 of the proceedings, on page 48, you will find my testimony before the commission, showing results for all railroads of the United States.

The comparison of mail and express referred to is similar to that recently presented by Mr. Bradley, on pages 437 and 438, at the hearing of March 28, 1913. Perhaps the greatest element of difference of cost between mail and express is one that is not usually considered; this is the difference in ratio of dead to paying weight when mail is hauled in postal cars as compared with express in express cars. Our standard 60-foot mail car weighs 58 tons, yet on account of the presence of the post-office fixtures and the clerks an average of only 2½ tons of mail is hauled and paid for, or a ratio of 23 tons of dead weight to 1 ton of paying weight. Our standard 60-foot car built of steel in which baggage or express is handled weighs only 46 tons, the average load of express per car being 5 tons, or only a little over 9 tons of dead weight per ton of paying weight. As the hauling capacity of the locomotive is limited by total gross weight, you can appreciate that the cost of transporting mail in postal cars, as compared with express, is excessive.

Looking over the printed proceedings before the present commission, I think almost every possible argument has been presented in support of the claim that present compensation to the railroads is wholly inadequate to cover a proper assignment of expenses and fixed charges and that mail revenues per unit are below those received from other classes of passenger-train service, although all classes of passenger traffic fail to bear their fair burden of the fixed charges. As the railroads must look to the

[1] Since this literature more particularly applies to conditions existing in the years 1909 and 1910, it is suggested that same be read in connection with the testimony of Mr. W. A. Worthington, assistant director of maintenance and operation, Southern Pacific Co. (vol. 2, p. 325 et seq., of the hearings), who makes in part a similar presentation brought up to date and applicable to present conditions.

public for the revenue to pay expenses, naturally if any class of traffic does not pay its share the burden must be borne by other classes, and the failure of the Government to adequately compensate the roads for mail transportation means a shifting of its burden to the shoulders of a part of the public if the railways are to receive from other traffic as a whole sufficient to properly reimburse them.

Referring especially to the compensation for railway post-office cars, it appears from the testimony taken before the commission that this has been admitted by the several witnesses, and I understand a subcommittee of the mail pay committee, composed of Messrs. Bradley, Mack, and Worthington, is preparing for you a compilation of the cost of ownership of postal cars obtained from the principal railroads of the country. This compilation will indicate that the cost of annual maintenance per car is in excess of $2,500, without allowing for return on investment, a modern postal car costing at least $10,000. When the subject of pay for railway postal cars comes up it is common to assume that the rate paid is entirely a charge for rental of the car, whereas the greater part of the extra expense to the railroad in handling mail in R. P. O. cars as compared with ordinary cars is the cost of hauling the extra dead weight represented by the post-office fixtures and the construction requirements of the Post Office Department and the losses imposed on the railroads through the reduced carrying capacity of the cars through the presence of the post-office facilities and space for clerks.

As shown by Mr. Worthington in his testimony, the difference in dead weight between our standard mail and baggage cars is as 116,000 pounds to 92,000 pounds, or an extra dead weight hauled per car-mile of 12 tons. Coupled with this there is a reduction in the carrying capacity from the baggage car which will hold 25 or 30 tons to the mail car in which not much more than 3 tons can be placed, due to the presence of the post-office racks and space for clerks distributing en route. The compensation for railway post office cars does not begin to reimburse the railroads for the reduction in carrying capacity per ton of dead weight, leaving, if we consider this feature, nothing whatever applicable as rental on account of the ownership and maintenance cost of the cars themselves.

Referring to the question of personal casualty liabilities incurred by the railways in transporting free the employees of the Railway Mail Service, I inclose copy of a memorandum from our general counsel of a case decided by the Supreme Court of the United States where a mail clerk named Schuyler was killed while riding in a mail car on the pass used for private business.

As before stated, the commission has been furnished with a comparison in parallel columns of relative requirements upon the railroads in performing postal and express service. I give you below a similar comparison of some differences which occur to me between the obligations imposed on the railroads in handling mail traffic and in handling passenger traffic:

| MAIL TRAFFIC. | PASSENGER TRAFFIC. |
|---|---|
| 1. Cars must be built according to Post Office Department specifications, including post-office features, which diminish the paying carrying capacity and are subject to alteration on demand of the Post Office Department. | No such requirements, and railroads can utilize entire floor space of coaches for seats with necessary aisles. There is also nothing to limit loading of baggage car to space capacity. |
| 2. As a consequence, loaded postal car averages about 2½ tons and is rarely above 3 tons, whilst carrying capacity without the postal facilities, clerks, etc., would be 25 to 30 tons, showing only 10 per cent of capacity utilized. | On Southern Pacific average coach load is 22 passengers, or 40 per cent of carrying capacity, sleeping cars being likewise loaded to 40 per cent capacity. For all railroads of the United States average load in coaches and sleepers is 16 passengers, or one-third of carrying capacity. |
| 3. For all classes of mail service railroad earnings per car-foot mile are 3.37 mills (page 324, proceedings before your commission March 27) average revenue per passenger carried 1 mile in 1911 (I. C. C. statistics) was 1.974 cents, the railroads thus furnishing 5.86 feet of space in handling mails for the equivalent pay for one passenger carried 1 mile. | Average revenue per car-foot mile from passengers 4.42 mills (report Jan. 6, 1911, of committee on railway-mail pay). Therefore, for 1.974 cents, average passenger fare per mile, the railroads furnish 4.46 feet of space, which is divided as follows:<br>Space in passenger coach, 2.63 feet; space in baggage car, 0.67 feet; space in sleeping, parlor, and observation cars, most of this being furnished and maintained by sleeping car company without cost to the railroads, 1.16 feet. |

| | |
|---|---|
| 4. Entire space on which revenue per car-foot mile is based is furnished and maintained by railroad company. | As above shown, a large part of the space on which passenger earnings per car-foot mile are based is furnished and maintained by the sleeping-car company without cost to railroad companies. Carrying capacity of sleeping cars is less than one-half that of coaches and at least a partial deduction of such space is only fair when comparing returns per car-foot mile with mail, as the railroads are relieved of ownership and maintenance expenses, including depreciation and taxes, on these cars, and for the further reason that the passenger has to pay an additional charge to the sleeping-car company for the privilege of occupying these cars. For passengers in coaches only, the revenue per car-foot mile is much in excess of that for mail service. |
| 5. Our standard 60-foot mail car costs more than $10,000 to construct and is very expensive to maintain. The weight of standard 60-foot mail car is generally in excess of 116,000 pounds. | Our 60-foot steel baggage car costs only 70 per cent as much as mail car, and weighs only about 90,000 pounds, maintenance being much less than mail car. Passenger coaches cost about 10 per cent more than postal cars, whilst sleeping cars cost twice as much. The latter cars, however, are furnished without cost to the railroads and the cost to the railroads for the average passenger car, including the sleepers, which cost them nothing, would be 20 per cent less than the cost of the 60-foot mail car. Coaches weigh somewhat less than mail cars, but sleepers weigh more, the average weight of all cars in passenger service being about the same as the average for mail service. |
| 6. The railroads incur extra expense for extra switching of mail cars for loading, unloading, and advance distribution, including placing and lighting at station a considerable time before departure of trains. | No such expense for passenger service, as trains are switched in stations only a short time before departure. |
| 7. Railroads are held liable for personal casualties to railway-mail employees carried free, and must also transport agents and inspectors of Post Office Department without charge. | Similar liability is incurred for passengers, with the important distinction that the fares paid reimburse the railroads for liability assumed. |
| 8. Mail must be carried on fastest passenger trains, mail trains making a higher speed than the average for passenger traffic. Railroads subject to fine for delays. | No such liability, and average speed in passenger service slower than mail trains. |
| 9. Railroads perform special side and terminal deliveries for mails not incident to ordinary transportation, must erect and maintain mail cranes, etc. | No such liability. Railroads incur expense for advertising and soliciting, not found with mails, but these items are only 1 per cent of the operating revenues. |
| 10. Railroads transport considerable tonnage of mail without charge due to natural growth between quadrennial weighings. | Railroads are paid for all passengers transported. |
| 11. Railroads pay for loading and unloading cars and must provide room for mail at stations. | Passengers load and unload themselves, although accommodations must be provided in stations. |

Yours, very truly,

J. KRUTTSCHNITT.

## An Argument on Railway Mail Pay.

[By Julius Kruttschnitt, director of maintenance and operation of the Union Pacific System and Southern Pacific Co.]

The question of compensation to the railroads of the United States for carrying the mails has been under review before Congress at different times during the past 10 years. The subject was exhaustively investigated by a joint commission of the Senate and House of Representatives in 1898 and 1899, which reached the following conclusion after full consideration and taking of a mass of testimony on all sides of the question:

"Upon a careful consideration of all the evidence and the statements and arguments submitted, and in view of all the services rendered by the railroads, we are of the opinion that the prices now paid to the railroad companies for the transportation of the mails are not excessive, and recommend that no reduction thereof be made at this time." (See H. Rept. 2284, 56th Cong., 2d sess.)

This commission also concluded as to the pay for railway post-office cars:

"Taking in view all these facts as disclosed by the testimony filed herewith, we are of the opinion that the prices paid as compensation for the postal-car service are not excessive, and recommend that no reduction be made therein so long as the methods, conditions, and requirements of the postal service continue the same as at present."

Since the above recommendations were made the operating costs on railroads, and, consequently, the cost of handling the mail, have been largely increased, as hereafter shown, through higher prices for both material and labor, so that if the railways were not overpaid 10 years ago, the present rates, being lower than those paid at that time, would be too low and should really be increased to give the railroads a reasonable return. Far from doing this, legislation enacted in the past few years has had the effect of cutting down the mail pay of the railroads, whilst the special requirements as to service and equipment have been made more severe and exacting.

Recent acts of Congress or orders of the Post Office Department, which have the force of law, that have caused reduction of railroad revenues, are the following:

1. Act of Congress of March 2, 1907, reduced pay on all routes moving in excess of 5,000 pounds per day. This reduced the pay for handling mails $1,740,494.63, or 3½ per cent of the total earnings. The same act reduced the rental rates for railway postal cars $935,974.09 per annum, or 16 per cent. The total reduction in pay to the railroads under this act was $2,676,468.72, or 6 per cent of the total compensation for both classes of service.

2. Act of Congress of June 26, 1906, effective July 1, 1906, withdrew from the mails empty mail bags and certain supplies, to be thereafter shipped as freight or express. It may be conservatively estimated that the annual loss in mail revenue to the railroads by withdrawing these shipments from the mails is at least $1,000,000, with practically no reduction in space furnished because of this change.

3. Order of Postmaster General of June 7, 1907, changing with each mail weighing thereafter the method of computing average weights on which pay is based from that always previously used and theretofore regarded as the proper interpretation of the law. The effect of this on the mail weighings of 1907 and 1908 was to reduce railway mail pay in two sections of the country $2,222,108.92, or 9½ per cent, or at the rate of $4,500,000 per annum for all roads of the country.

4. Orders of Postmaster General reducing railway postal car pay by allowing "shorter car" pay on certain lines than heretofore authorized and changing certain full lines to half lines, that is, reducing pay for return movement; thus causing an annual loss to the railroads of $345,287.06. (Second Assistant Postmaster General's Annual Report, 1908, p. 13.)

The effect of all of these reductions on the mail revenue of the railroads aggregate $8,500,000 per annum, or 17 per cent of the total pay received by them in the year ending June 30, 1908, for handling the mail and furnishing railway postal cars.

These reductions were made without justification and for the purpose of reducing railroad revenues, and, incidentally, the expenses of the Post Office Department at a time when the net earnings of the carriers seemed large to the public mind, although under these favorable conditions the returns to the shareholders approximated but 4 per cent, whilst farmers were receiving 10 per cent, manufacturers 15 per cent, and national banks 18 to 20 per cent.

It is true that there has been a large increase in the gross revenue of the railroads in the last 10 years, but this has accrued from traffic other than carriage of the mails and has been accompanied by great increase in operating expenses. In fact, were it not for the economies of the carriers, effected by the use of more powerful locomotives and larger freight cars, the increase in operating expenses would, without doubt, have fully neutralized the growth in revenue. In the months preceding the panic of

October, 1907, the railroads were quite generally showing decreases in net earnings in face of the largest gross earnings in their history. It was costing them much more than a dollar to handle every dollar increase in gross earnings.

Since the hasty enactment of ill-considered legislation reducing mail pay the revenues of the roads have been seriously affected by a change in business conditions which has reduced traffic without reducing prices of materials and labor. At the same time legislation has increased labor costs by reducing hours of service.

In 1898 rates for transporting the mails were too low to cover the cost of service; they are much too low now, and the losses on the mail service as a whole—there are some routes that pay—are borne by freight traffic entirely.

### RECEIPTS FROM MAIL AND OTHER RAILROAD TRAFFIC.

The latest statistics of operations of all railroads of the United States are for the year ending June 30, 1907, issued by the Interstate Commerce Commission July 9, 1908. From them we compile the following exhibit comparing results of 1907 with 1898, when a commission of Congress, after complete investigation of the subject, recommended that mail rates be not reduced.

*All railroads of United States.*

| | Year ending June 30— | | Per cent increase. | Per cent decrease. |
|---|---|---|---|---|
| | 1907 | 1898 | | |
| Earnings from passengers | $564,606,343 | $266,970,490 | 111 | |
| Earnings from express | $57,332,931 | $25,908,075 | 121 | |
| Earnings from mails | $50,378,964 | $34,608,352 | 46 | |
| Earnings from freight | $1,823,651,998 | $876,727,719 | 108 | |
| Operating expenses | $1,748,515,814 | $817,973,276 | 114 | |
| Passenger-train mileage | [1] 541,439,176 | 341,526,769 | 58 | |
| Freight-train mileage | [1] 662,106,857 | 503,766,258 | 31 | |
| Earnings per passenger-train mile (cents): | | | | |
| From passengers | 105.7 | 79.4 | 31 | |
| From express | 10.7 | 7.7 | 38 | |
| From mails | 9.4 | 10.3 | | 10 |
| Total | 125.8 | 97.4 | 29 | |
| Number passengers carried per train | 51 | 39 | 31 | |
| Tons of mail carried per train | 0.86 | 0.80 | 7 | |
| Earnings per freight-train mile (cents): | | | | |
| Earned from freight | 274.0 | 173.1 | 58 | |
| Tons of freight carried per train | 357.35 | 226.45 | 58 | |
| Operating expenses per total train-mile (cents) | 147.0 | 95.6 | 54 | |
| Net earnings per train-mile (cents): | | | | |
| Passenger trains | [2] 21.2 | 1.8 | | |
| Freight | 127.0 | 77.5 | 64 | |
| Passenger earnings per passenger mile (cents) | 2.014 | 1.973 | 2 | |
| Mail earnings per mail ton-mile (cents) | 10.66 | 12.57 | | 15 |
| Freight earnings per freight ton-mile (cents) | 0.759 | 0.753 | 1 | |

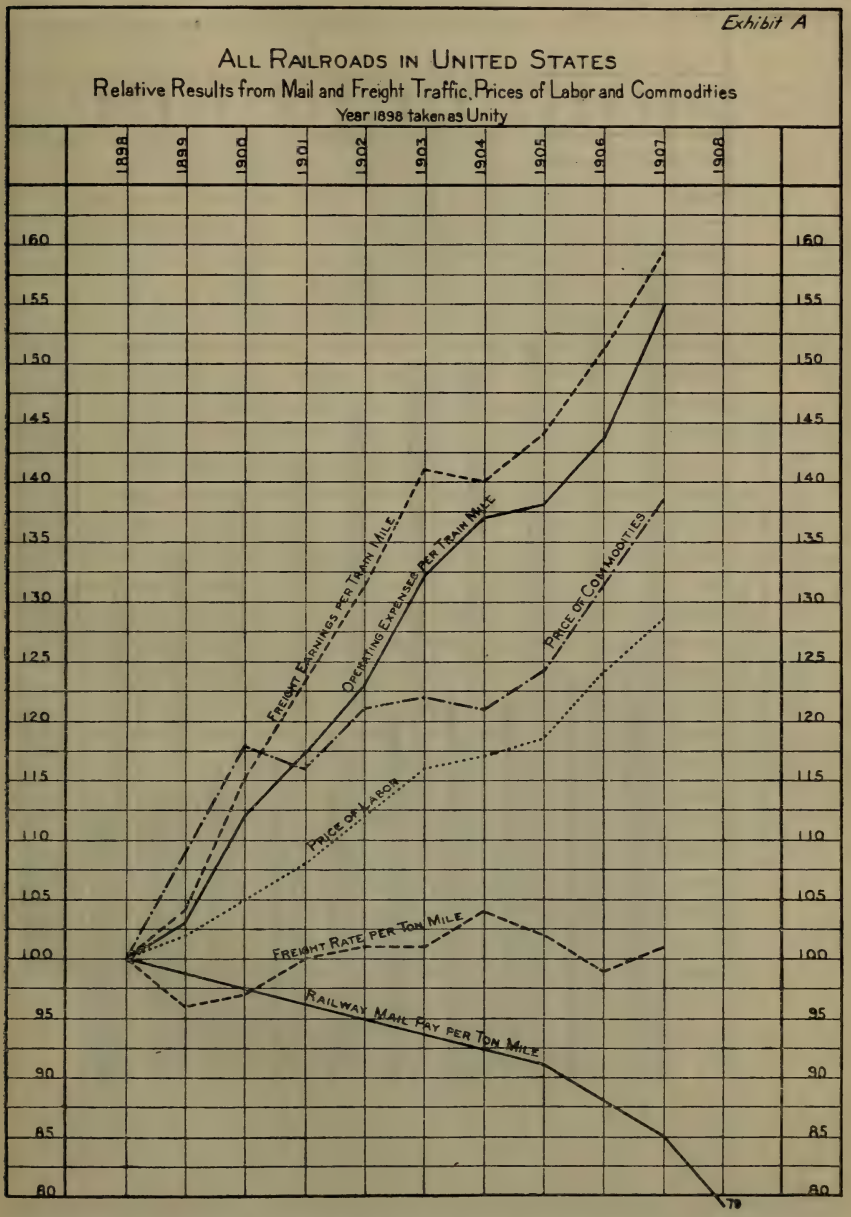
[1] Including mixed trains. [2] Loss.

NOTE.—Bear in mind these figures do not, of course, show effect of cut of $8,500,000 in mail pay effective July 1, 1907, or losses in net revenue through depression in business conditions commencing in latter part of 1907. As an index of the latter, the Commercial and Financial Chronicle of September 5, 1908, showed that 141 roads, aggregating 168,839 miles, or 70 per cent of all roads in the country, had suffered a loss of $63,484,902, or 24.97 per cent, in net earnings in the first half of the calendar year 1908 as compared with same period of previous year.

The foregoing statement clearly shows the difference between the revenue obtained from passenger trains as compared with freight trains. The control of the former is largely out of the hands of railroad operating officers, as to meet competitive and traffic conditions heavier and more luxurious passenger cars must constantly be furnished, which, of course, means largely increased expense with very little increase in the paying train load. In fact, as to the mails, notwithstanding an increase in tonnage carried on the average train, the mail earnings per passenger train-mile were actually less in 1907 than in 1908, due largely to the automatic reduction of railway mail pay per ton-mile. Considering the freight train-mile, the composition of which is almost entirely within the control of the railroads, which institute methods for reducing cost

of transportation, it will be observed that by such methods the railroads have been enabled to place 58 per cent more tonnage in a train, bringing them 58 per cent more earnings, which can be applied as an offset to the increase of 54 per cent in the cost of running a train 1 mile.

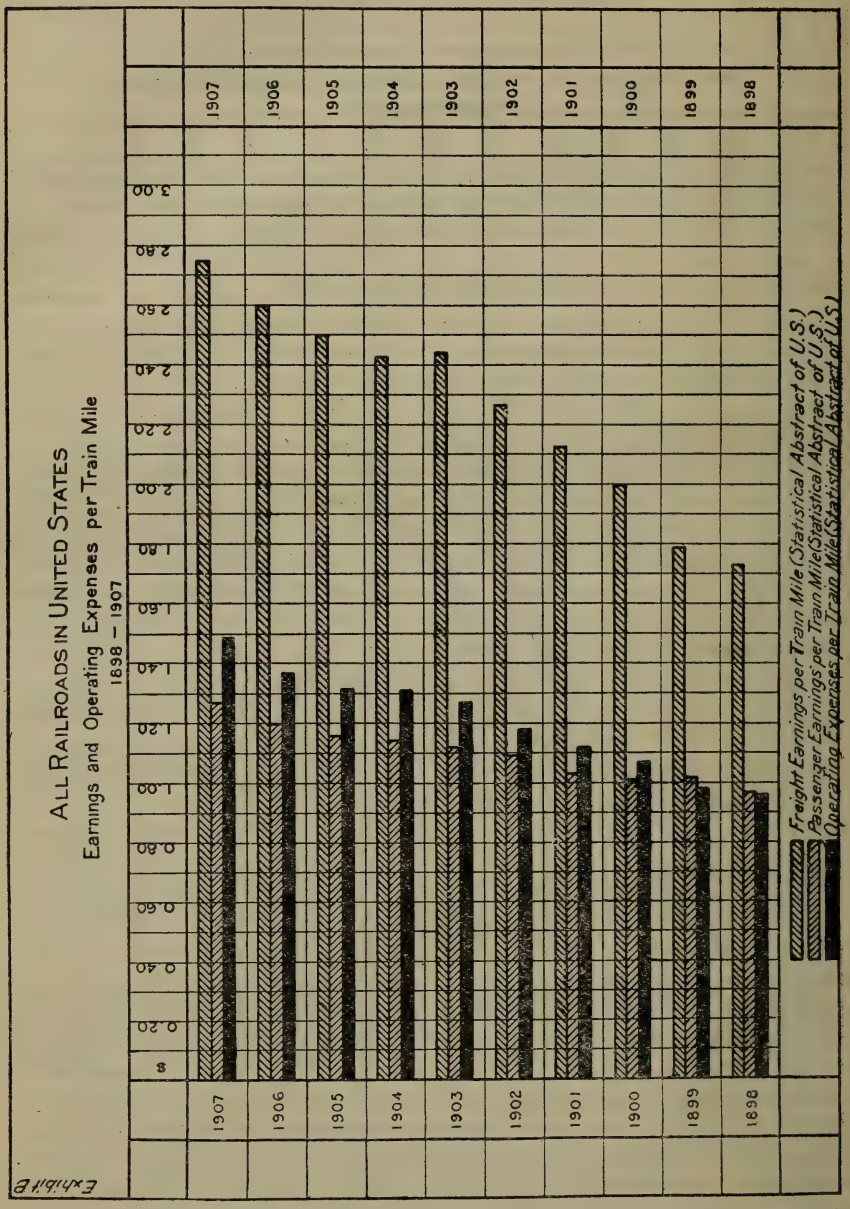
This increase in operating expenses per train-mile last referred to has been brought




about largely because of the increased cost of labor and materials, which, as is well known, has been general throughout the country.

Chart marked "Exhibit A" shows, using year 1898 as unity, or 100, the increase in cost of railroad operating expenses per train-mile as reported to the Interstate Commerce Commission, the rise in prices of labor and commodities from statistics collected by

the United States Department of Labor, Bulletins No. 75 of March, 1908, and No. 77 of July, 1908, the average rate per ton of freight handled 1 mile as reported by the Interstate Commerce Commission, and the average rate of railway mail pay, including pay for postal cars, received by the railroads per ton-mile, computed from Annual Reports of the Post Office Department.




Note the close parallelism of the curves of earnings, expenses, prices of commodities and labor. Note that freight rates in 1907 were slightly higher than in 1898, and in the whole period were never more than 4 per cent below or above 1898, and note particularly that the rate of mail pay was reduced automatically 15 per cent.

To further illustrate the difference in compensation to the railroads from freight and passenger service, see Exhibit B, showing for each of the years ending June 30,

1898 to 1907, inclusive, the actual earnings per train-mile received from freight and passengers and the actual operating expenses per train-mile. This chart shows that whilst in 1898 passenger-train earnings were slightly more than the cost of running a train, in 1907 it cost considerably in excess of the earnings received from a passenger train to run it, showing that passenger traffic as a whole, including the mails, does not pay its fair share of operating expenses, regardless of taxes, interest on bonds, or dividends, and this it should do, as pointed out by Judge Cooley, the first chairman of the Interstate Commerce Commission.

Comparing results of operations of all railroads of the United States for the year ending June 30, 1907, with 1898, when this question was last up, it is shown by reports of the Interstate Commerce Commission that gross revenue from operations, as well as income from investments, increased $1,380,000,000. This is a very large sum, but let us see what becomes of it. Increased wages paid to employees consumed $577,000,000, or 42 per cent; purchase of material included in operating expenses, $354,000,000, or 26 per cent of the increased income; and these material purchases represented largely labor involved in their production. Increases in betterments and miscellaneous deductions consumed $77,000,000, or 6 per cent of the increased income. Larger payments for interest on funded debt and current liabilities consumed $96,000,000, or 7 per cent, and larger taxes 2.5 per cent, leaving $240,000,000, or 16.5 per cent of the increased income for the owners of the properties, the stockholders. In 1898 dividends were less than 2 per cent of the capital stock, and in 1907, even with the large increase noted, they were only 4 per cent. Contrast this with the manufacturers' returns of 15 per cent, the farmers' of 10 per cent, and the national banks' of 18 to 20 per cent on their capitalization.

Chart, Exhibit D, illustrates the rise in prices of commodities and labor which have so largely affected cost of railway operating in the past 10 years. Averages for the 10 years, 1890 to 1899, inclusive, are considered as unity, or 100, in all cases. The heavy line running from 100 in 1890 to 143 in 1907 shows the purchasing power of commodities in ton-miles, computed from Department of Labor Bulletin No. 75 of March, 1908. The dashed line running from 89 in 1890 to 142 in 1907 shows the purchasing power of labor, computed from Department of Labor Bulletin No. 77 of July, 1908. The other two lines show the reverse of these; the broken line running from 100 in 1890 to 70 in 1907 shows the commodities purchasable with the price of a ton-mile, and the dotted line running from 112 in 1890 to 70 in 1907, the labor purchasable for a ton-mile. These curves show very clearly the trend of exchange values during the period in question. From 1890 to 1897 changes were not marked, but beginning with 1898, when the mail pay was last investigated by the congressional commission, the divergence of the lines showing relative purchasing powers of labor and commodities and ton-miles is great. The purchasing power of ton-miles, the commodity offered for sale by railroads, fell steadily, whilst everything the railroads had to buy rose steadily.

Reduction in railway mail pay was not justified in 1898; it was far less justified in 1907. On the contrary, there has been a large fall in mail pay per ton-mile, and conditions under which mails are transported are becoming more and more onerous. The cost of building a railway post-office car to the present plans and specifications of the Post Office Department is at least 50 per cent more than it was in 1898, although pay received for handling these cars that weigh from 25 to 30 per cent more than formerly has been arbitrarily cut over 16 per cent by the act of Congress of 1907 and has since been further cut through readjustment of routes. For the year ending June 30, 1908, the railroads received gross $48,155,379, including railway post-office pay, for carrying 80 per cent greater tonnage of mails than in 1898, a sum $12,747,629 less than it would have been but for the reduction of rate from 12.59 cents in 1898 to 9.94 cents in 1908. In face of this, as we have shown, arbitrary cuts of $8,500,000 more have been made, a grand total of over $21,000,000 less paid now than 10 years ago.

This increase in weight [1] of a postal car might not be thought of much moment, but it means to the railroads the movement of 1,000,000 additional gross ton-miles

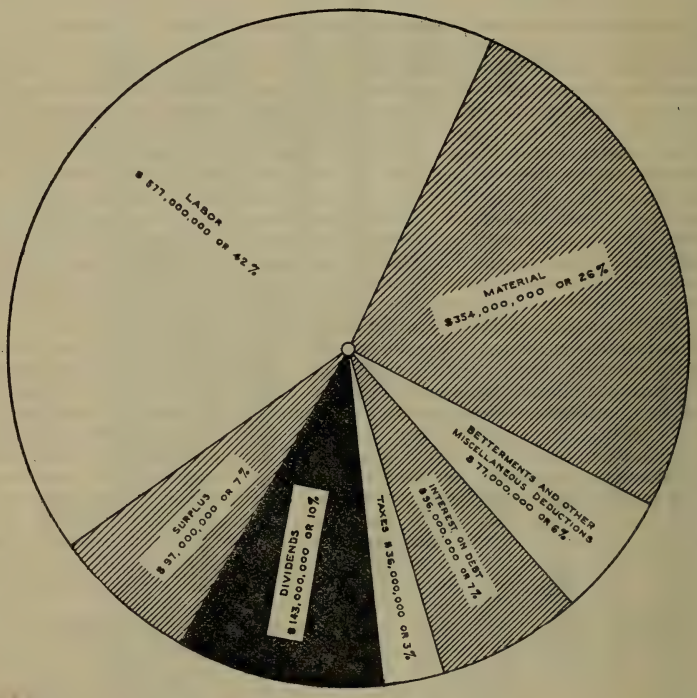
[1] About 18 months ago the conclusion was reached that heavier and stronger cars were demanded by changed conditions resulting in heavier trains, greater speed and increased frequency and consequent risk of accident to clerks and mail in collisions and wrecks. After careful investigation and expert testimony, the specifications were revised so that full 60-foot cars would weigh about 100,000 pounds instead of 80,000 pounds and be greatly strengthened by the free use of steel plates and oak timbers. To meet the views of car builders, East and West, two plans and specifications, slightly differing, were adopted as standard, and railroads were given the option of conforming to one or the other. The best known antitelescoping features were adopted in both plans, producing in the judgment of responsible car builders a car of exceptional resisting and carrying power. When new lines of cars are authorized by the department, or new cars are ordered to take the place of old cars in service, companies operating the routes are furnished copies of these specifications and the superintendent of division is instructed to see that cars are built in conformity therewith. Inspections are made while the car is in the shop, and when it is completed a full report is made and forwarded to the department. A decision is then reached as to whether the car is satisfactory and can be accepted. (Annual Report Postmaster General for 1905.)

per car per year, costing them $10,000 per annum in operating expenses, whilst, as shown, they receive 16 per cent less railway-post-office pay now than formerly.

United States Postal Laws and Regulations, section 1164, provide that the average weight of the mails used in fixing rates shall be established by the actual weighing

*Exhibit C*

DISTRIBUTION OF THE INCREASE OF $1 380 000 000 IN GROSS REVENUE OF ALL RAILROADS IN UNITED STATES IN 1907 COMPARED WITH 1898




of the mails for a period of not less than 30 days and "not less frequently than once in every four years." The construction placed upon this by the department has been the one which reduced to the minimum the pay which the railroads receive for services rendered. If mail traffic were stationary, weighing every four years

would not matter much, but the increase of mail matter throughout the United States has been very great, and, because of the policy of the department to weigh the mails not more frequently than every four years, heavy losses have resulted through the railroads having to haul tonnage for three successive years following each weighing for which they receive no pay.

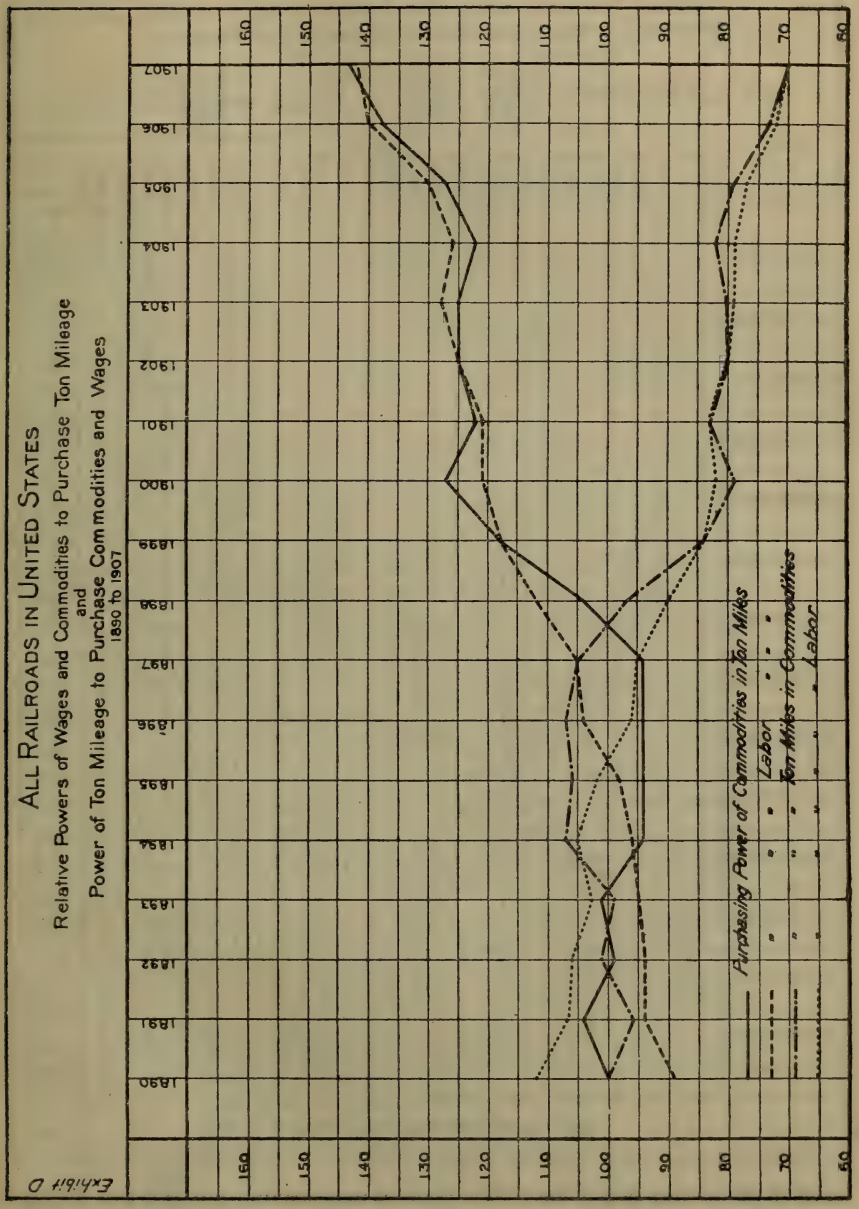
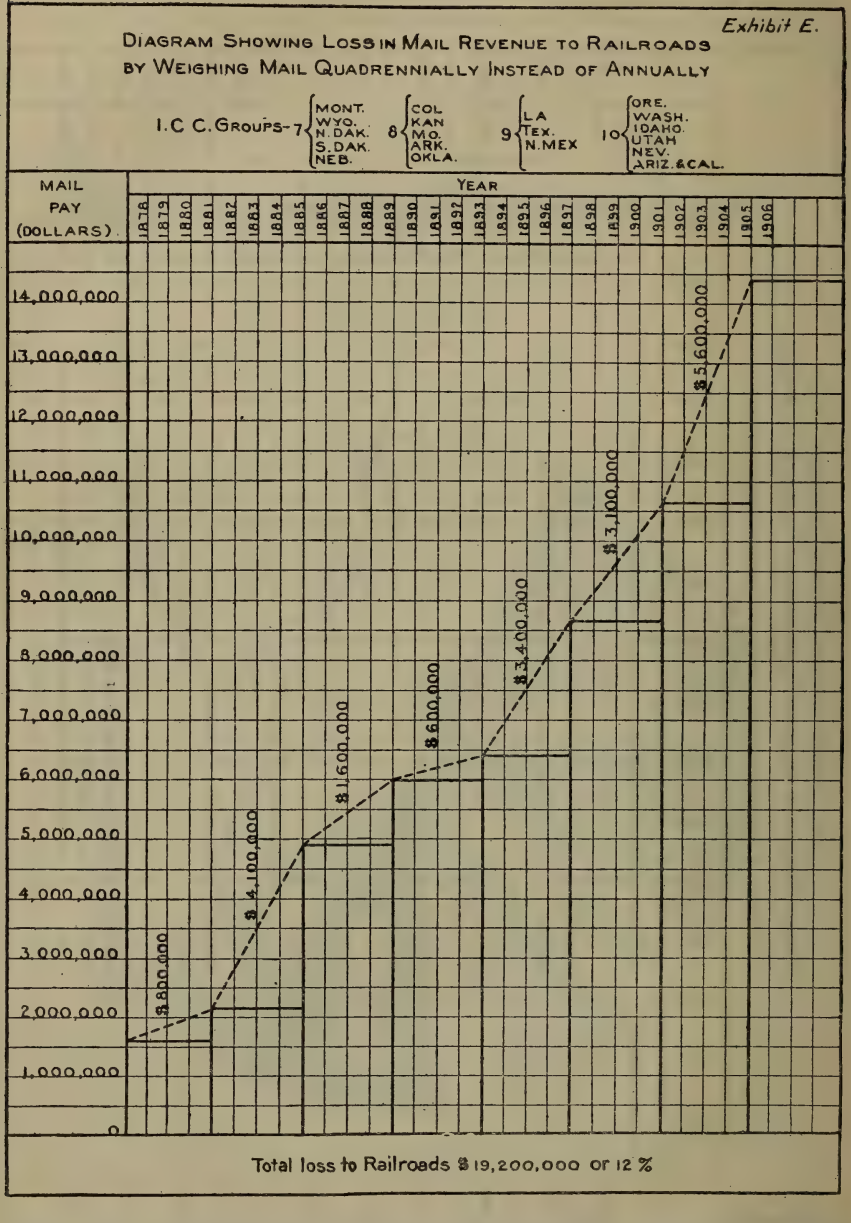



Exhibit E shows, for roads in Interstate Commerce groups 7, 8, 9, and 10, by heavy lines the mail pay actually received as determined by the quadrennial weighings, and by dotted lines the natural increase in railway mail pay the roads should have received if the mails were weighed annually. Opposite each triangle is placed the amount of money loss to the railroads through the existing policy, this loss aggregating

in the periods given for roads in groups 7, 8, 9, and 10, $19,200,000, or 12 per cent of the aggregate railway mail pay. In other words, this loss is equivalent to a reduction in the rate received per ton-mile in these groups of States of 12 per cent. The loss to

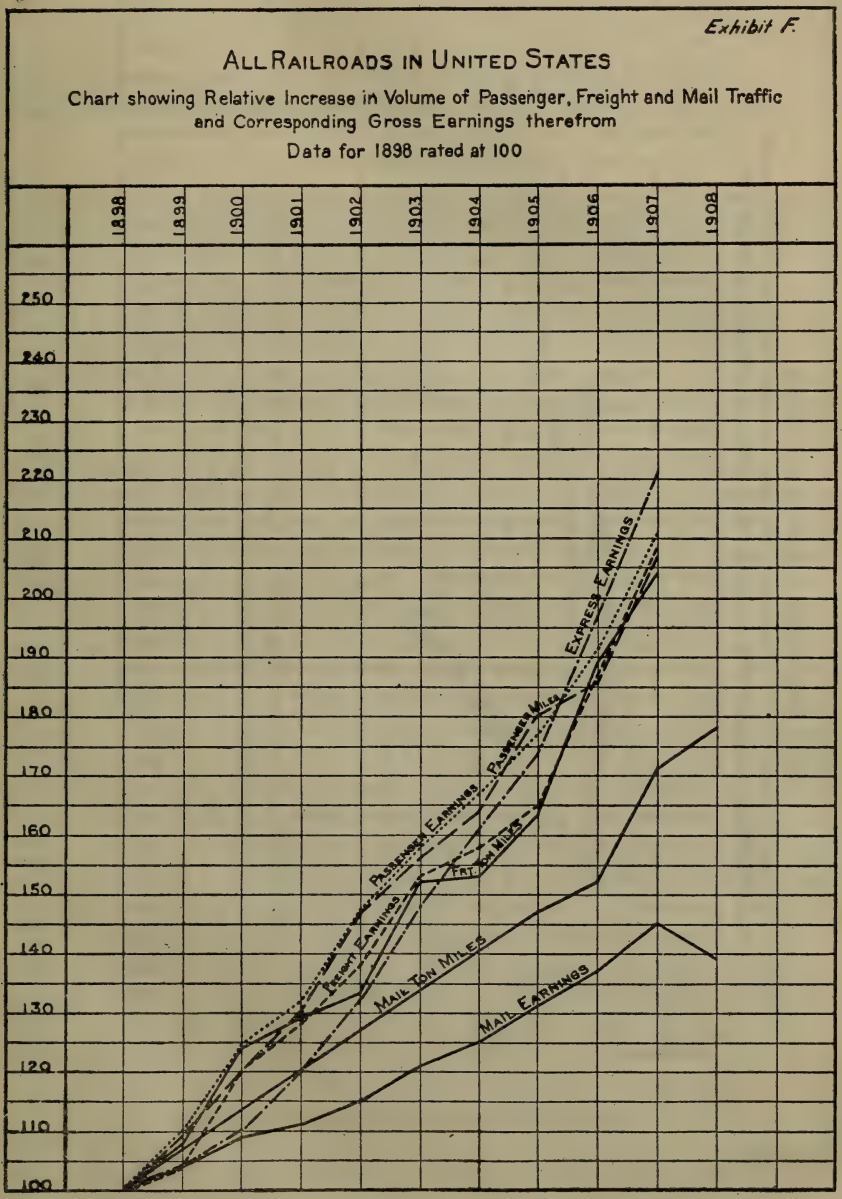



roads in the western part of the United States is most striking, due as it is to the rapid growth of that section. The same reduction, though to a slightly less degree, obtains in other parts of the United States.

COMPARATIVE DECLINE IN MAIL, PASSENGER, AND FREIGHT RATES.

Exhibit F shows the changes that have taken place since 1898 (statistics for that year being taken as 100) in volume of mail, passenger, and freight traffic, and the gross earnings therefrom.

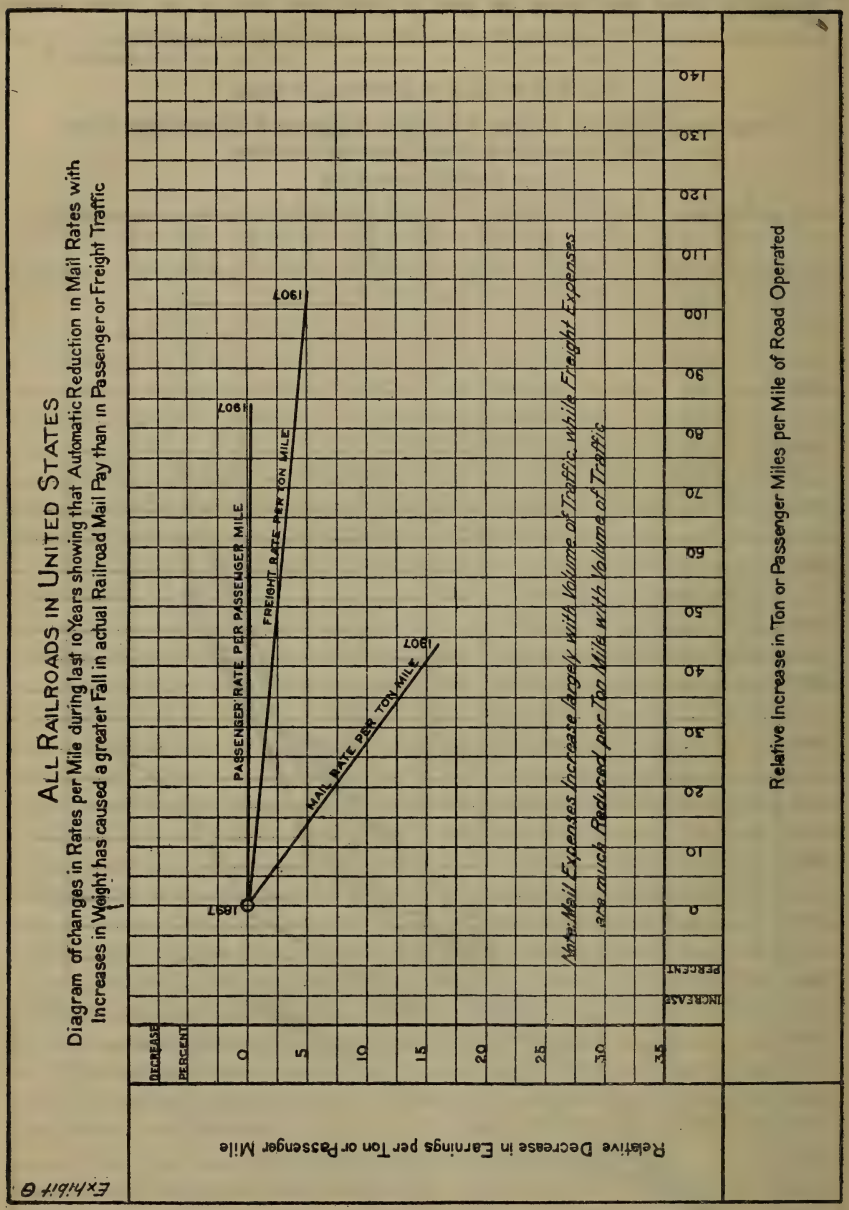
Exhibit G shows that during the past 10 years, from 1897 to 1907, when railroad




operating costs have been increasing, mail rates have been automatically reduced 16 per cent, with an increase of only 44 per cent in density of traffic. During the same time, the freight ratio fell only 5 per cent, with an increase of 103 per cent in density of freight traffic. And, remember, that increase in freight traffic density means opportunity to lessen cost of transporting through larger car and train loads,

whilst increase in mail traffic density affords no such opportunity, as under Post Office Department regulations, which govern with the force of law, considerations of conveniences are paramount and no measures of economy are permitted.

When the mail in a car reaches the low maximum of about two and three-fourth




tons, greater density means additional cars, and, therefore, added operating cost about in proportion to traffic carried. The same is to a lesser extent true with handling passengers, but Chart G shows that passenger rates have been held up quite uniformly while density has increased 84 per cent, or nearly double that of the mails.

The actual reduction in rates per traffic unit during the past ten years has been as follows, authorities being statistical reports of the Interstate Commerce Commission and computations based on annual reports of the Post Office Department:

| | Year ending June 30th— | | | |
|---|---|---|---|---|
| | 1908 | 1907 | 1898 | 1897 |
| Mail rate per ton mile (cents)[1] | 9.94 | 10.66 | 12.57 | 12.67 |
| Freight rate per ton mile (cents) | No data. | .759 | .753 | .798 |
| Passenger rate per passenger mile (cents) | No data. | 2.014 | 1.973 | 2.022 |

[1] Including R. P. O. car pay.

The above is an answer to the argument frequently made that railroad mail pay was not changed until the reductions made in 1907. The sliding scale fixing lower mail rates with increasing density is the factor that controls the actual lowering of rates, with the important difference that railroads are forbidden to bring about economies in operating cost with mails that they can when freight density increases, and the further important difference that mail rates continue to fall automatically despite changes in industrial conditions which make it much more expensive for the railroads to perform the service.

COMPARATIVE RETURNS TO THE RAILROADS FROM CONDUCTING MAIL, PASSENGER, AND FREIGHT SERVICE IN THE UNITED STATES.

In order to make a fair comparison of operating results from different classes of traffic, it is necessary to consider them under substantially similar conditions. The best measure of railroad service is work done, or weight multiplied by distance carried; in other words, the ton mileage. A comparison of services differing so widely as the mail, passenger, and freight on the basis of ton mileage of such business is, however, unfair, because in the two former an excessive proportion of dead weight must be transported for each ton of paying load, while with freight traffic the proportion of dead weight is small. The hauling power of a locomotive is measured not by revenue ton miles, but by ton miles of gross weight, it making little difference to the locomotive as to what this gross ton mileage is composed of, the gross tonnage and the speed at which it must be moved being the factors that consume the energy of the locomotive.

A computation has been made of ton mileage on each individual mail route by multiplying weight carried by length of route; to the sum of these we add the dead weight of cars. The report of the Second Assistant Postmaster General for year ending June 30, 1908, page 32, gives the number of cars engaged in mail service, which we have multiplied by the average mileage made by the average car, based on experience of the Union Pacific and Southern Pacific systems, to ascertain total car mileage for the United States. Multiplying this by the dead weight of a car, gives the ton mileage of dead weight, which, added to the ton mileage of mails, gives the gross ton mileage, measure of work and cost imposed on the railroads in return for the pay they receive for handling the mails. These computations are shown in the following statements, the results being conservative, as for want of accurate data it has been necessary to omit some work which the railroads do, which, if ascertainable, would increase the cost. For example, we have made no charge for the dead weight of that portion of baggage cars devoted to the handling of pouch mail, such pouch service, according to the Postmaster General's report, covering annually on railroads and express trains 122,027,597 miles; nor for the dead weight of storage mail cars provided by the railroads. Neither has any account been taken of the value of transportation given mail clerks, which, based on the Postmaster General's report of 1908, amounted to 629,778,443 miles, which, at 2 cents a mile, would be $12,500,000; nor for the value of transportation or postal commissions of Post Office Department officials; nor does it take into account special service rendered by the railroads, such as delivering mail at stations, value of space furnished by the railroads and required of them by the Post Office Department at important junction and terminal points for mail distribution and accommodation of Government transfer clerks.

The statistics of passenger service in the following statements are based on the 1907 Annual Report of Statistics of Railways, published by the Interstate Commerce Commission (1908 figures, which would show higher operating cost, not available), with the exception that the average mileage per car per annum run by passenger cars is based on the experience of the Union Pacific and Southern Pacific systems.

Statistics of freight service are likewise based on the 1907 Report of Statistics of Railways, freight-car mileage being actually reported by the Interstate Commerce Commission, dead weight per car being computed from all freight cars handled on Union Pacific and Southern Pacific systems.

*Mail service year ending June 30, 1908.*

| | |
|---|---|
| Paid to the railroads for railway post-office cars | $4,567,366 |
| Paid to the railroads for mail transportation | 43,588,013 |
| Total | 48,155,379 |
| Ton mileage of mails handled by railroads | 484,683,135 |
| Pay per revenue ton mile, including railway postal car pay (cents) | 9.94 |
| Pay per revenue ton mile, excluding railway postal car pay (cents) | 8.99 |

| | R. P. O. | Apartment. | Total. |
|---|---|---|---|
| Number of cars (Post Office Department report) | 1,342 | 3,568 | 4,910 |
| Average length (special mail weighing 1907), feet, of mail apartment | 59 | 27 | |
| Equivalent full R. P. O. cars | 1,342 | 1,633 | 2,975 |
| Miles run per car per annum (experience of Union Pacific system and Southern Pacific Co.) | 100,000 | 60,000 | |
| Total equivalent R. P. O. car miles | 134,200,000 | 97,980,000 | 232,180,000 |
| Miles traveled by R. P. O. clerks (miles reported as traveled by crews multiplied by average number of men per crews) | | | 629,778,443 |

| | |
|---|---|
| Gross ton mileage: | |
| Equivalent railway postal cars, 232,180,000 miles, at 45 tons per car | 10,448,100,000 |
| Ton miles of clerks at 160 pounds per man | 50,382,275 |
| Revenue ton miles of mail, including pouch mail | 484,683,135 |
| Total gross ton miles [1] | 10,983,165,410 |
| Average weight of mail per equivalent full R. P. O. car (tons) | 2.09 |
| Average weight of clerks per equivalent full R. P. O. car (tons) | .22 |
| Average weight of car per equivalent full R. P. O. car (tons) | 45.00 |
| Rate of mail and R. P. O. car pay per gross ton mile (cents) | .438 |
| Ratio of paying to dead load [1] | 1 to 21.7 |

*Passenger service other than mails.*

| | Number of cars.[2] | Miles run per car per annum.[3] | Total car miles run per annum. |
|---|---|---|---|
| Baggage and express, excluding 2,975 equivalent postal cars | 7,404 | 60,000 | 444,240,000 |
| Sleepers, diners, and parlor cars | 2,000 | 100,000 | 200,000,000 |
| Coaches, etc. | 31,594 | 40,000 | 1,263,760,000 |
| Total | 40,998 | | 1,908,000,000 |
| Passenger-train miles, including mixed trains | | | 541,439,176 |

| | |
|---|---|
| Cars per train mile: | |
| Mail | 0.43 |
| Others | 3.52 |
| Total | 3.95 |
| Gross ton mileage: | |
| Baggage and express cars, 444,240,000 by 30 tons | 13,327,000,000 |
| Sleepers, diners, and parlor cars, 200,000,000 by 50 tons | 10,000,000,000 |
| Coaches, etc., 1,263,000,000 by 40 tons | 50,550,400,000 |
| Total ton miles dead weight | 73,877,400,000 |
| Ton miles of passengers, 27,718,554,030 [2] passenger miles at 150 pounds per passenger | 2,078,891,552 |
| Ton miles of baggage and express, 444,240,000 car miles estimated at only 3 tons average load in a car | 1,332,700,000 |
| Total ton miles revenue load | 3,411,591,552 |
| Total gross tons miles | 77,288,991,552 |
| Total revenue received from passengers and express | $621,939,274 |
| Total revenue received per gross ton mile (cents) | 0.805 |
| Total revenue received per revenue ton mile (cents) | 18.23 |
| Ratio of paying weight to dead load | 1 to 21.7 |

[1] No portion of mileage or weight of storage cars or cars handling pouch mail has been considered.
[2] Statistics of Railways of United States, 1907.
[3] Experience of Union Pacific and Southern Pacific systems.

*Freight service.*

| | |
|---|---|
| Total miles run by freight cars [1] | 17,122,259,754 |
| Total ton miles dead weight, each car estimated at 15 tons [2] | 256,833,896,310 |
| Total ton miles revenue freight [1] | 236,601,390,413 |
| Total gross ton miles | 510,557,546,477 |
| Ratio of paying to dead load | 1 to 1.1 |
| Total revenue received for transporting freight | $1,823,651,998 |
| Total revenue received per gross ton mile (cents) | 0.369 |
| Total revenue received per revenue ton mile (cents) [1] | 0.759 |
| Tons per car revenue freight (loaded and empty) | 13.8 |
| Revenue per car mile (cents) | 10.5 |

[1] Statistics of Railways of United States, 1907.
[2] Experience of Union Pacific and Southern Pacific Systems.

## RELATIVE COST OF SERVICE.

To determine the relative costs to the railroads of performing mail, passenger, and freight service, we must allocate the expenses to freight and passenger service as a whole, afterwards apportioning the latter to mails and other service. Railroad operating expenses apply jointly to both passenger and freight trains, so that, with few exceptions, it is impossible to determine exactly from any published statistics the cost of passenger-train service as distinguished from freight. There are some items of train-mile expense directly connected with movement which are less for passenger than for freight trains, whilst, on the other hand, many other expenses are greater for passenger than for freight, such as danger from casualties, necessity of expensive terminals, delays to other traffic through preference given to passenger trains, additional main tracks, and, particularly, higher standards of maintenance of roadbed required for high speed passenger-train movement.

On account of the impossibility of separating the expenses, we assume that the above factors about balance each other and that the average cost of running all trains can be taken as either passenger or freight train mile cost, respectively, without serious error.

We allocate a proportion of the passenger train cost to the mails on the basis of the gross ton miles handled in each class of passenger traffic.

The relative revenues and expenses are shown below, mail revenues being as shown by the 1908 Report of the Post Office Department, and other statistics as given in the 1907 Statistics of Railways of the United States, published by the Interstate Commerce Commission or are computed therefrom.

*All railroads in the United States—Summary of mail, passenger, and freight service.*

| | Mails. | Other passenger. | Total passenger. | Freight. |
|---|---|---|---|---|
| Gross revenue | $48,155,379 | $621,939,274 | $670,094,653 | $1,823,651,998 |
| Operating expenses | 96,322,357 | 677,614,637 | 773,936,994 | 974,577,820 |
| Taxes and interest on bonds | 23,503,973 | 165,582,552 | 189,086,525 | 235,468,467 |
| Total expenses | 119,826,330 | 843,197,189 | 963,023,519 | 1,210,046,281 |
| Surplus | | | | 613,605,711 |
| Deficit | 71,670,951 | 221,257,915 | 292,928,866 | |
| Ton mileage (thousands): | | | | |
| Revenue weight | 484,683 | 3,411,592 | 3,896,275 | 236,601,390 |
| Dead weight | 10,498,482 | 73,877,400 | 84,375,882 | 256,833,896 |
| Total gross | 10,983,165 | 77,288,992 | 88,272,157 | 493,435,286 |
| Tons dead weight per ton revenue | 21.7 | 21.7 | 21.7 | 1.1 |
| Per gross ton mile (cents): | | | | |
| Gross earnings | .438 | .805 | .759 | .369 |
| Operating expenses | .877 | .877 | .877 | .197 |
| Earnings over operating expenses | | | | .172 |
| Operating expenses over earnings | .439 | .072 | .118 | |
| Taxes and interest on bonds | .214 | .214 | .214 | .048 |
| Surplus | | | | .124 |
| Deficit | .653 | .286 | .332 | |
| Per cent of operating expenses to earnings | 200 | 109 | 115 | 53 |
| Gross expenses to earnings | 249 | 135 | 144 | 67 |

Figures exclude dividends, betterments, and additions, etc.

The above shows that whilst passenger service as a whole is unremunerative, the mail earnings are hardly half what they should be to pay a fair share of the railroad operating expenses only, regardless of taxes and interest.

Or put in another way; our computations have shown that in each passenger train run the railroads haul an average of 43/100 of a mail car, and the contents of this car yielded average earnings of 9.4 cents for each mile run. The computation just made shows that each freight car run, loaded or empty, yields a revenue to the carrier of 10.5 cents per mile. Incredible as this may seem, it is understandable when we reflect that the railroads transport 1.1 tons of dead weight for each ton of freight for which they are paid; with mail they transport 21.7 tons, or twenty times as much. The freight rate is 0.759 cents per ton mile, the mail rate 9.94 cents, or only 13 times as much.

Arguing in still another way: Average number of cars in each passenger train handled in United States is 3.95, of which mail cars amount to 0.43, or 11 per cent. Eleven per cent of the average earnings of a passenger train is 13.8 cents, but mail contributed only 9.4 cents. That is, it should pay 47 per cent more than it does to be made to contribute a fair share to the insufficient earnings of a passenger train. Mails are fairly responsible on basis of space used for 11 per cent of the cost of running a passenger train, or 16.17 cents, and as dead weight per foot of space is greater with mails, their proportion of train-mile cost is even larger. They pay little more than one-half this cost.

By building larger capacity cars and larger engines the cost of handling freight traffic, entirely in the control of the carrier, has been reduced to follow rate reductions and increased expenses.

On the other hand, because methods of conducting passenger traffic are largely—and mail traffic entirely—beyond their control, the cost of handling mail and passengers has been steadily increasing, and, as revenue has not increased, the net revenue or margin of profit has been cut to a point where it is unremunerative.

The argument advanced by advocates of reduced mail pay, that increasing density permitted economies and that lower rates would yield more net, is not applicable when the carriers' hands are tied and measures of economy so successfully applied to handling freight are prohibited. The following will illustrate this:

On routes where pouch service is used mail is handled with express and baggage without much increase of cost over other passenger traffic. A somewhat greater mail traffic obliges the railroads to furnish apartment cars, at increased expense and dead weight for the post-office feature, but still permitting the railroads to carry other traffic in the same car. A still further increase in weight means the establishment of full R. P. O. lines for which the railroads receive extra, but inadequate, compensation, these cars being used for no other class of traffic and adding largely to the weight and cost of train service. Even after the route has been made an R. P. O route, the railroads are not permitted to economize by carrying more mail in the car, and as traffic density grows the roads must under the requirements of the department add more cars, almost in proportion to the business, as the loads carried in R. P. O. cars, as shown by recent special weighing, average only 2¾ tons, and many of them return empty—for which empty haul the railroads often receive no pay. When the mail business has assumed very large proportions and the R. P. O. cars have multiplied in ratio therewith, special trains are then added to carry the bulk of the mail, being run at very high speed and adding to the railroad expense account in a far higher degree per unit of business than any other class of traffic.

In contrast to the above, baggage and express are very generally hauled in the same and a much lighter and less costly car than the mail car, and increase in tonnage is accommodated by hauling greater loads per car. In the case of freight, increased density means larger car and train loads and greatly reduced costs of operating per ton-mile.

Despite these differences in conditions, the automatic scale has secured to the Government a larger reduction in mail rates per ton-mile in the last 10 years than the percentage of fall in freight rates, despite higher labor and material costs of railroad operating. As a result, the mail business, which, according to evidence introduced before the congressional committee of 1899, was unprofitable at that time, has been made more unprofitable at the present time by the heavy rate reductions of 1906–7.

As the greatest reduction made deals with mail routes on which traffic is heaviest, a consideration should be given to the following conditions of handling mail on such routes:

HEAVY TRAFFIC MAIL ROUTES.

On very many of the heavy traffic routes where the principal reduction in pay occurred a large part of the mail is now handled in special mail trains run at excessively high rates of speed. Such trains introduce the following conditions:

1. A very much greater liability to accident. A large proportion of the deplorable accidents that have occurred on the American railroads in recent years have occurred to excessively high-speed trains, accidents to such trains being almost invariably destructive to life and property. An examination of serious accidents on the Union Pacific system and Southern Pacific Co. for the calendar year 1906 shows that 36 per cent of the property damage from all causes, including negligence, was traceable to trains not under control and excessive speed, whilst 30 per cent additional damage was due to causes that might prevent inferior trains getting out of their way, such as keeping main line on time of superior trains, failure to observe signals or orders, etc.

2. Mail trains run at excessive high speed are much more expensive to operate than other trains, for the following reasons:

(*a*) Fuel consumption per traffic unit is very much greater at high speed because of diminished tractive power of locomotives.

(*b*) A relative greater hauling capacity of locomotives must be consumed in moving trains at higher speeds.

(*c*) Excessive speed requires higher standards of track maintenance, double tracking, block signals, heavy rail, better ballasted roadbed, etc.

(*d*) High speed means increased wear and tear on equipment and track.

(*e*) High-speed trains are expensive, delaying and adding to the cost of other traffic.

3. Speed of trains carrying mails has been constantly increased, a study made of the speed per hour made on fastest trains on which R. P. O. cars are handled on 17 of the principal mail routes, giving the following results:

Average of fastest train on 17 mail routes:

| Year. | Speed (miles per hour). | Relative. |
|---|---|---|
| 1905 | 42.21 | 136 |
| 1899 | 39.23 | 126 |
| 1890 | 34.35 | 110 |
| 1885 | 31.14 | 100 |
| Average increase per year | .55 | ..... |

With the above increase in speed, rates paid the railroads have automatically decreased, whilst expenses have largely increased to provide for the above greater speed and because of increase in prices of labor and materials of all kinds in the past five or six years. This increase in speed has been made coincident with growth of freight traffic, which is the railroads' profitable business, the nonprofitable high-speed trains delaying the profitable ones, increasing their cost and incurring liability to accident.

4. Earnings of mail trains supposedly high are not higher than other passenger trains, which, as a whole, earn very much less per mile run than freight, relative figures being, as shown by last report of the Interstate Commerce Commission, as 100 is to 218, whilst the cost of running passenger trains is as much, if not more. This is particularly the case with high-speed passenger trains, which is the most unprofitable business in which railroads are engaged. (On Union Pacific system last year earnings per passenger-train mile were $1.71, per freight-train mile $4.31.)

5. Passenger engines in hauling fast passenger trains on principal main lines at the present time have assumed, on account of increased weight of equipment and excessive speed required, enormous proportions. We now have in such service on our lines engines weighing exclusive of tender 222,000 pounds, this power being 60 per cent heavier and twice as costly as locomotives used in the same class of service 10 years ago, burning double the amount of fuel. Engineers running these locomotives receive higher pay because of the greater size of these engines, to say nothing of recent increases made in their schedules. Such heavy power moving at fast speed is extremely destructive to the roadbed, requiring a much higher standard of maintenance than formerly, maintenance of way cost in the past few years having gone up 50 per cent. Engine failures are largely confined to fast passenger trains, and, in general, expenses are increased all along the line because of their introduction.

6. As illustrating the additions to expenses because of increased track maintenance on account of fast passenger and mail trains, we have made a study of statistics, using

the Interstate Commerce report of 1906 as a basis, of seven roads having a large proportion of fast passenger service and seven roads having a moderate-speed passenger service, but with a large proportion of freight service. On the roads first named the average cost of maintenance of way per mile was $2,951, and on roads in the latter class $1,565. The operating expenses per train-mile in the former class were $1.47, and in the latter $1.33. The roads in the former class, on account of large number of excessively high-speed trains, were obliged to double-track their lines, which directly increased maintenance expenses.

### PAY FOR RAILWAY POSTAL CARS.

The large reduction made by act of March 2, 1907, in pay for railway postal cars was made in face of large increase in the cost of constructing such cars, due to higher prices of labor and material and greater cost of meeting the more exacting specifications of the Post Office Department. Changing to steel construction, increases in weight, and generally heavier operating expenses, have created an extremely large increase in cost of moving these cars. The standard railway postal car of only a few years ago, 60 feet long, weighed 80,000 pounds and cost about $5,500. The standard railway post-office cars, 60 feet long, of wooden construction, used on the railroads with which I am connected, weigh over 100,000 pounds each, or one-fourth more weight, and cost 40 per cent more, whilst our new standard postal cars of steel construction weigh 108,000 pounds and cost over $9,000, or 60 per cent more than the car of a few years ago.

An argument sometimes made in favor of a lowering of R. P. O. car pay is that for apartment cars used in runs where mail density does not require a full car, no additional compensation is allowed. But we feel that a fair consideration of the circumstances under which mail is handled, as compared with other traffic, will justify the conclusion that this is not an argument in favor of reducing R. P. O. pay, but rather for allowing the railroad additional compensation for the apartment cars as well. Both services require the furnishing of special features in the way of traveling post offices not required except for the convenience of the Post Office Department to enable it to do work while mail is in transit, such as ordinarily performed in office buildings. The full postal car is more expensive to the roads, as it always means additional car service, whilst in some cases of apartment cars the space not occupied by the traveling post office is adequate to take care of baggage and express, though very frequently this service also means additional car movement that would not be necessary but for the post-office feature.

The saving to the railroads from reduction in car mileage that would be possible if it were not obliged to furnish traveling post offices, but could use the space occupied by racks and other post-office features by loading additional mail in cars, would be many times the revenue allowed for the railway postal cars.

To illustrate: The car mileage of postal cars (changing apartment cars to full cars on basis of length) is 232,180,000 per annum; the ton-mileage of mail 484,683,135, or 2.09 tons per car. From figures obtained from the Post Office Department, average car weights shown on page 59, Table EE, special mail weighing of 1907, it is ascertained that storage mail cars, which, of course, contain no post-office features, carry an average of 7.04 tons of mail. At this rate the whole mail business could be carried by the movement of 68,844,000 car miles, or 163,336,000 less than actually employed, due to the post-office features. The total railway postal-car pay is only $4,567,366, or only 2.8 cents per additional car mile, whilst the operating expenses chargeable to running these 163,336,000 car miles, or 70 per cent of the total movement, amount to $67,000,000.

But for the post-office feature, the combined weight of an entire route could many times be handled in a single car such as is used for express instead of several heavy and expensive post-office cars, whilst often extra cars for storage mail must be added, for which no extra pay is allowed, the cost of running these storage cars also not being included in the computation of cost of service, as no accurate statistics of their number or car mileage are available.

In addition to the furnishing of storage cars, although many R. P. O. routes are paid for on a basis of 40-foot cars, it is not economical for the railroads to construct such cars which are not interchangeable with other equipment and which would have to be thrown aside if through growth of traffic larger cars are afterwards required. As a result, full 60-foot R. P. O. cars have for years been furnished on many 40 and 50 foot routes, the railroad getting no credit for this, whilst on many other routes R. P. O. cars have been run in advance of the fixing of R. P. O. pay for them.

On a number of routes postal car pay has been allowed for running full cars in one direction only, classing such routes as half-lines. This obliges the railroads to move the car in the opposite direction without pay, the small additional compensation of less than 4 cents per mile run received in one direction being entirely inadequate to compensate the road for the empty haul—to say nothing of allowing anything for

moving it in direction for which pay is received. To illustrate: The Union Pacific Railroad in one case between Council Bluffs, Iowa, and Ogden, Utah, 1,003 miles, receives no pay for handling east-bound a 60-foot mail car, which is paid for westbound only, six mail cars being required on this line. The R. P. O. pay per car mile, including movement in both directions, is only 2.24 cents, or about what would be received for transporting a single passenger, although a standard passenger coach has a capacity for 70 passengers.

In connection with the railway post office, an item not often considered is the value of transportation furnished clerks in the railway mail and compartment cars. Figuring this at 2 cents per mile, which is about the lowest passenger fare, the total value of this transportation for clerks in railway post-office cars would be $8,600,000 per annum, or $4,000,000 more than the railroads receive for the handling of these cars, and the value of transportation in the case of apartment cars would be $4,000,000 per annum additional. In addition to this, a large amount of free transportation is required annually by the Post Office Department for inspectors and other officers of the Department.

The Post Office Department issues annually about 600 traveling commissions to post-office inspectors and other postal officials, and requires railroad companies to honor such commissions for free transportation on all trains on all lines on which mails are carried. In some cases these commissions are issued to Government officials whose official duties are in no way connected with the transportation of mails on railroads. The railroads have no control whatever over the issuance of these commissions and can not even secure from the Post Office Department a list of them, the department holding that the list is confidential. These commissions are frequently used for personal travel in violation of the rulings of the Interstate Commerce Commission. In brief, the Post Office Department in effect arbitrarily issued about 600 annual passes over every mail carrying railroad in the United States, which is equivalent to about 200,000 annual passes.

## POSTAL DEFICIT.

In investigating the subject of railway mail pay, we have been struck very forcibly with changes which have taken place in the revenues and expenditures of the Post Office Department since 1899, when this subject was last reviewed. Although postal operations still show a deficit, it is a fact that its revenues have increased in a remarkable degree, and the deficit is certainly not due to the amounts paid to the railroads for hauling mail, as these payments are relatively far less now than formerly. Revenues of the Post Office Department have grown from $102,000,000 in 1900 to over $191,000,000 in 1908, or 87 per cent, this increase in revenue in eight years being as great as the entire increase in the previous 35 years.

But in this same period of eight years there was an increase of $100,600,000, or 93 per cent, in Post Office Department expenditures, of which only $10,900,000, or 11 per cent, was paid to the railroads, $33,935,000, or 34 per cent, going to rural free delivery, $25,000,000, or 25 per cent, to postmasters and their clerks, and the balance to other items, as shown by chart marked "H" herewith.

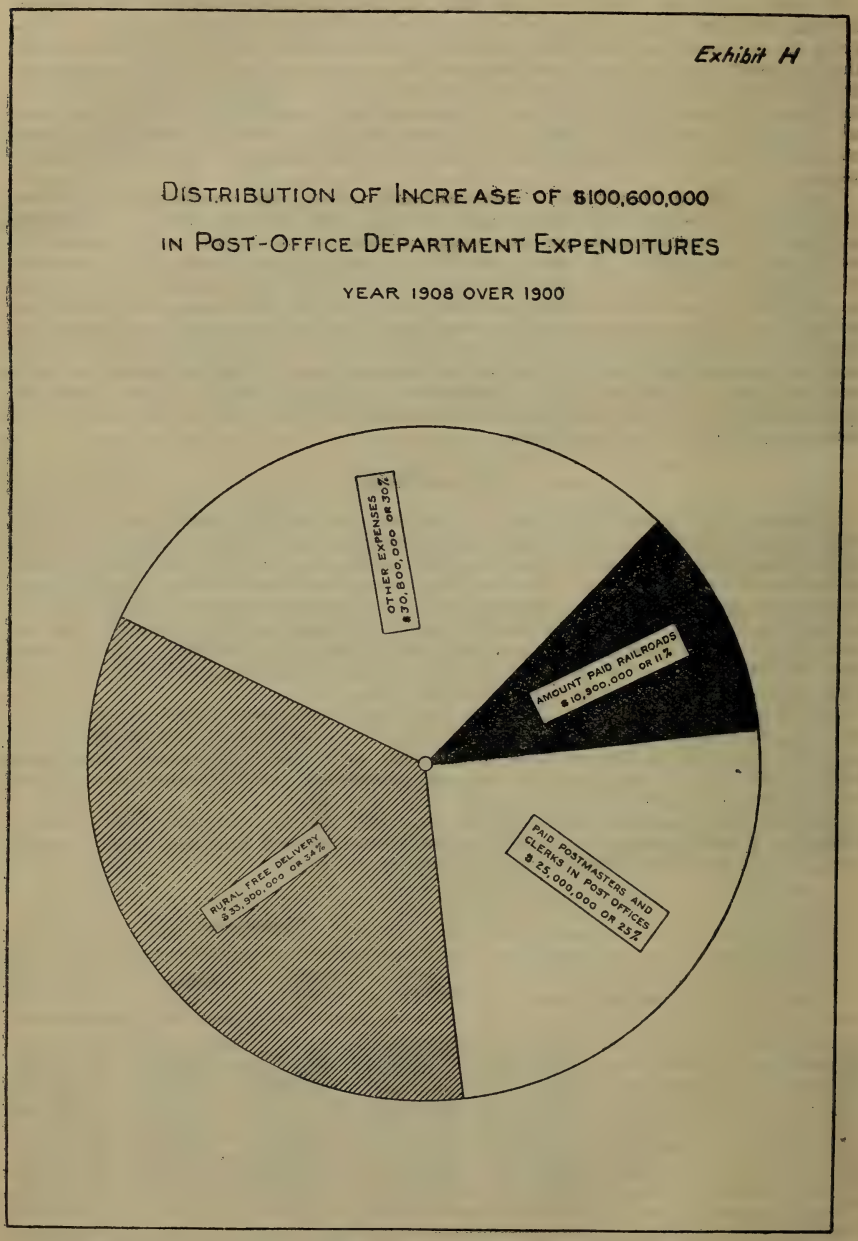
The following statement shows for the year 1895 and for the years 1899 to 1908, inclusive, postal revenue and postal expenditures divided between amounts paid the railroads, cost of rural delivery, and other expenditures:

| Year. | Revenue. | Expenditures. | | | |
|---|---|---|---|---|---|
| | | Paid railroads. | Rural delivery. | Other. | Total. |
| 1895 | $76,983,000 | [1] $31,189,000 | ..... | $57,637,000 | [1] $88,826,000 |
| 1899 | 95,021,000 | 35,775,000 | $150,000 | 65,607,000 | 101,632,000 |
| 1900 | 102,355,000 | 37,315,000 | 420,000 | 70,005,000 | 107,740,000 |
| 1901 | 111,631,000 | 38,161,000 | 1,778,000 | 75,616,000 | 115,555,000 |
| 1902 | 121,848,000 | 39,519,000 | 3,998,000 | 81,269,000 | 124,786,000 |
| 1903 | 134,224,000 | 41,377,000 | 8,102,000 | 89,305,000 | 138,784,000 |
| 1904 | 143,583,000 | 43,971,000 | 12,682,000 | 95,709,000 | 152,362,000 |
| 1905 | 152,827,000 | 45,482,000 | 20,824,000 | 101,093,000 | 167,399,000 |
| 1906 | 167,933,000 | 46,953,000 | 24,774,000 | 106,543,000 | 178,270,000 |
| 1907 | 183,585,000 | 49,831,000 | 26,643,000 | 113,754,000 | 190,238,000 |
| 1908 | 191,479,000 | 48,155,000 | 34,355,000 | 125,842,000 | 208,352,000 |

[1] Includes $1,646,741 accrued in favor of Pacific railroads in 1895, but not charged to postal expenditures

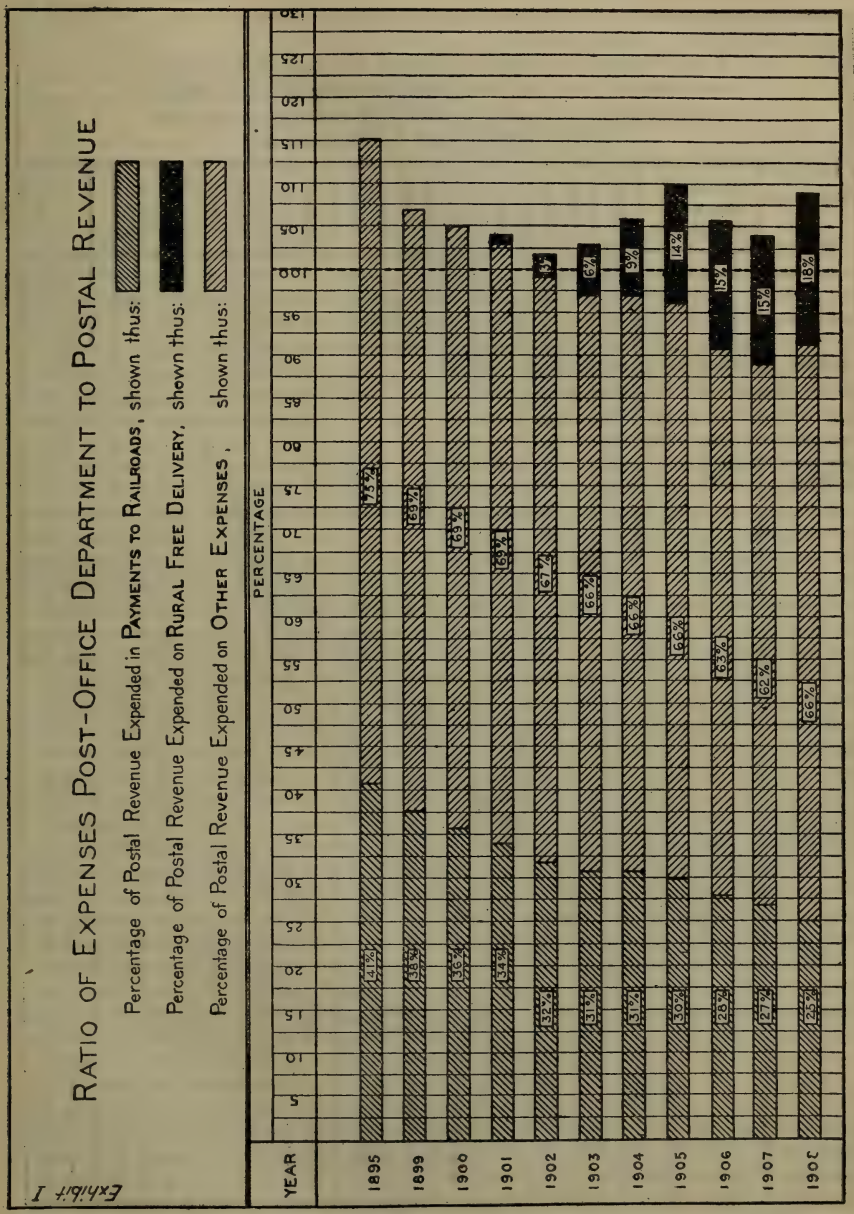
Chart marked "Exhibit I" shows clearly that the ratio of expenses to receipts of the Post Office Department would in 1908 have been but 91 per cent and no deficit but for the expenditures made for Rural Free Delivery, the amount paid the railroads being now only 25 per cent of the total revenue as compared with 41 per cent in 1895.

NOTE.—The railroads are themselves large contributors to the revenues of the Post Office Department. It is ascertained that nine roads, covering 27,500 miles, pay annually $261,000 for postage stamps, or at the rate of $2,000,000 for the entire railroad mileage of the country.




In order to avoid a deficit, attention has been concentrated on this 25 per cent of the postal expenditure, which we contend is at least not an unfair compensation to the railroads for services rendered. Though the proportion of the total revenue going to

the railroads has fallen one-third in 10 years, the deficit still remains, and is it reasonable to suppose that any reduction in railway mail pay would not be speedily absorbed in other directions? On the contrary, ought not efforts be concentrated to bring within reasonable figures the other expenses of the department, which now absorb 84

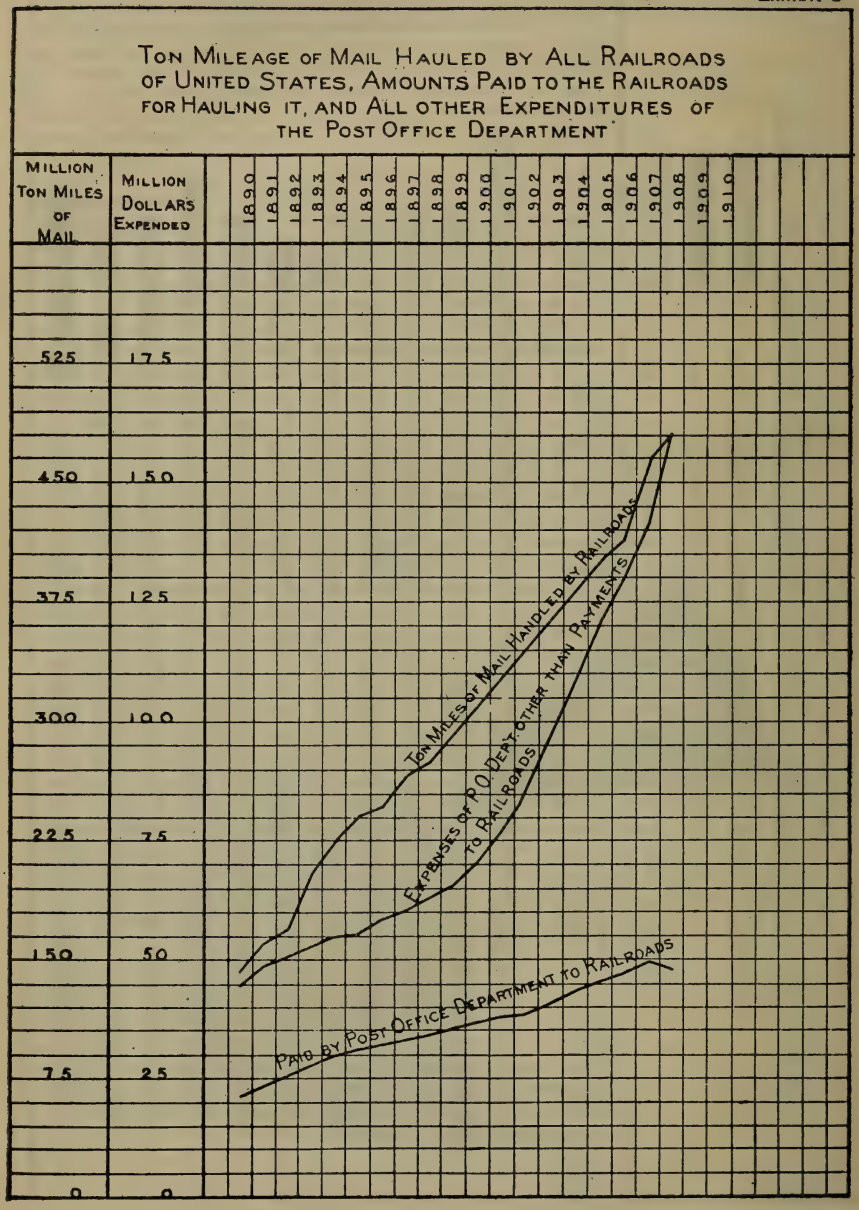



per cent of its revenue as compared with only 69 per cent in 1900—despite an actual growth in postal revenue in the same time of $89,000,000, or 87 per cent?

It will be noted from these charts that a reduction of 10 per cent in the ratio of railway mail pay to total revenue can be entirely wiped out by an increase of only 3 per

cent in other postal expenses, whilst a retrenchment of 10 per cent in the latter would have put the department almost on a paying basis, notwithstanding the heavy cost of Rural Free Delivery. From 1895 to 1908 actual totals show that the railroads' pay has increased 54 per cent for handling 114 per cent more mail tonnage, whilst in the

Exhibit J




same period other expenses of the Post Office Department have grown 178 per cent, revenues increasing 149 per cent.

Increased mail business means a direct increase in postal revenue, as postage remains the same regardless of tonnage, but carrying this increased business on the part of the railroad means less proportionate revenue to them according to volume of tonnage,

so that the proportion of the postal revenue they now receive is very much less than formerly. Labor, material, and the price of everything sold in commerce have advanced materially, as we all know, in the past seven or eight years, railway mail pay being practically the only thing that has decreased in the face of conditions that should have raised it.

As a large increase in mail tonnage means to the Post Office Department about an equal increase in revenue with a decreased payment per ton to the railroads through lower rates, the avoidance of a deficit would seem not a difficult matter if other postal expenses were kept at least within sufficient control, so they would not increase faster than the increase in volume of mail handled.

The Post Office Department enjoys this peculiar advantage of receiving with the growth of the country an increase in revenue directly in proportion to the increase in business handled. In disbursing this revenue, it must pay less to the railroads in proportion to the density of business, thus retaining to apply on other expenses a larger net revenue year by year. It is reasonable to suppose that the cost of many branches of the department should not increase in the same ratio as tonnage of mail (for example, that expenses of individual post offices and administrative and general expenses should not grow in this proportion). Yet, regardless of these favorable influences, expenditures in other directions have absorbed the greater net revenues after paying the railroads, and it is in these directions that the cause of the postal deficit must be looked for.

Chart, Exhibit J, illustrates the growth of these expenditures, which since 1900 has been much faster than the rise in mail tonnage, comparison of 1908 with 1898 being shown on opposite page.

| | 1908 | 1898 | Increase. | Per cent. |
|---|---|---|---|---|
| Ton mileage of mails handled by railroads | 484,683,135 | 272,714,017 | 211,969,118 | 78 |
| Postal revenues | $191,478,663 | $89,012,619 | $102,466,044 | 115 |
| Less paid to railroads | 48,155,379 | 34,379,227 | 13,776,152 | 40 |
| Net applicable to other expenditures | 143,323,284 | 54,633,392 | 88,689,892 | 162 |
| Other expenditures | 160,196,507 | 63,654,297 | 96,542,210 | 152 |
| Deficit | 16,873,223 | 9,020,905 | 7,852,318 | 87 |

| | 1908 | 1898 | Per cent. |
|---|---|---|---|
| Per ton of mail handled by railroads (cents): | | | |
| Postal revenues | 39.5 | 32.6 | +6.9 |
| Paid to railroads | 9.9 | 12.6 | −2.7 |
| Net applicable to other items | 29.6 | 20.0 | +9.6 |
| Other expenditures | 33.1 | 23.3 | +9.4 |
| Deficit | 3.5 | 3.3 | + .2 |

NOTE.—The increase in gross postal revenue per unit of mail handled by railroads is no doubt due to increase in city mail not handled by railroads.

JULIUS KRUTTSCHNITT.

CHICAGO, ILL., *March 1, 1909.*

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RAILWAY MAIL PAY PRIMER—ISSUED BY COMMITTEE ON RAILWAY MAIL PAY, REPRESENTING 139 RAILROADS WITH 192,808 MILES OF ROAD.

RAILWAY MAIL PAY.

What is the measure of service rendered by the railroads in handling United States mail?—Four hundred and ninety-two million nine hundred and sixty thousand and fifty-nine ton miles new basis (old basis 532,096,419 ton miles), year ending June 30, 1909.

The mail alone?—Yes. The mail and bags.

How much did United States pay the railroads?—$49,737,519, out of which they have to meet many expenses imposed on them by regulation and law.

Does United States furnish any facilities?—Only the clerks on the cars.

What do they do?—Post-office work.

What's that?—Same as in post offices. Postal cars are post offices on wheels.

Does United States pay clerks' fares?—No.

How much does their travel foot up?—In 1908, the equal of one man riding 629,778,443 miles.

At 2 cents per mile that would be how much?—$12,595,568.66.

These men must weigh something?—At 160 pounds average, their haul would be equal to 50,382,275 tons one mile.

Does United States require the railroads to furnish anything else free of charge?—Yes; office facilities at railroad junctions and terminals; delivery of mail to post offices which are within a quarter of a mile of station; and free annual passes for about 600 postal officials on all railways carrying mail.

What revenue does the United States receive per pound for mail?—An average of about 12.88 cents per pound tendered by the public.

What does United States pay the railways?—About 3 cents per pound for every pound of matter tendered the railroad.

That is, out of every dollar received the Government pays the railroads 20 cents?—Yes.

Does the rural free delivery cost much as yet?—United States spent 72 cents for rural free delivery in the limited territory thus served for every $1 paid the railroads for their entire hauling in the year 1909.

How is the service rendered by the railroads ascertained?—By actually weighing the mail matter carried.

Weighing every parcel carried for a year?—Oh, no; weighing for 105 consecutive days only once every four years and finding the average for one day over the whole length of route.

Is this the weight United States pays for during the entire four years following a weighing?—Yes.

Why only every four years?—A law requires weighing not less often than once in four years.

Then weighing oftener is not prohibited?—No.

Would the railways prefer weighing, say, once a year?—Yes.

Why?—Mail increases regularly with growth of country. Each four years means a large increase in weight, and as the pay is based on the smallest weight carried at the beginning of the period, the increases each year are carried with no pay whatever.

Why are yearly weighings not made?—The Post Office officials interpret the law to mean they don't have to, and they don't do it, as it is not to their interest.

Is that fair to the railways?—It is not, as they are deprived of amounts to about 10 per cent of the total revenue received for mail transportation. During last 10 years the weight increased 80 per cent, an average of 32 per cent each four years.

Has the pay increased 80 per cent?—No. Only about 40 per cent.

Why?—Because of acts of Congress and orders of Postmaster General arbitrarily cutting rates of pay; automatic reductions of rates prescribed by law with increased tonnage.

Can you name some?—Yes. March 2, 1907, United States reduced the pound rate 3½ per cent and the rental rates of post cars 16 per cent. Total, $2,676,468 per year.

Was this because it cost the railways less to do the work?—No. It cost the railways more.

What other acts?—June 26, 1907, it decreed empty mail bags shall be returned, and certain supplies forwarded by freight or express. Formerly they were handled with and as part of the mail. The estimated loss to the railroads by this change is $1,000,000 a year.

Does this withdrawal return space in cars of value to the railroads that they can sell to other patrons?—No.

What "orders" can you name?—June 7, 1907, changing methods of computing weights.

What does that mean in money?—About $4,500,000 per year loss to the railways.

Any other recent one?—Yes. Requires railways to furnish post-office cars to run one way, and refuses to pay for hauling them back, though the cars are of no use whatever to the railways, being fitted up as post offices and unfit for baggage or express.

Where is such a service in effect?—Omaha to Ogden line requires six postal cars to do the business. Each car weighs over 100,000 pounds and costs about $9,000. The railway buys the cars, supplies light, heat, and maintenance.

How much does the United States pay the railway for the use of these traveling post offices in such cases as just referred to?—The equivalent of one passenger fare per round trip.

Can you explain it in figures?—Yes. The United States pays 5.5 cents per mile for the going trip, with two to six passengers in it—nothing for return trip, which is the equal of 2.75 cents for the whole distance the car travels.

Why do you call the clerks passengers, and think the Government should pay for their carriage?—Because the Government demands of the railroads the same care and responsibilities as accorded passengers. The men are furnished heat and ice-water, and in case of accident the railroads are liable to the same extent as to passengers.

Is it possible you mean that the railroads get 5.5 cents for hauling a full car and in addition are obliged to furnish the Post Office Department with free tickets for say 4 men, worth 2.5 cents a mile each at tariff rate?—That is just what I mean. The railroads haul the car free and pay 4.5 cents a mile for the privilege in such a case.

Why on earth do the railroads do this?—Perhaps they have never stopped to think how very foolish such a practice is. Maybe this will start them thinking.

How much do railways receive per mile for hauling empty cars?—Diners, parlor, and sleeping cars on their own wheels, 12 to 20 cents per mile; passenger coaches, 10 to 18 cents; baggage and express cars, 8 to 15 cents; freight cars, 6 to 10 cents per mile.

Then the railways receive on the average, for hauling various classes of cars on freight trains, from three to eight times as much as United States pays on these one-way runs for post-office cars on passenger trains?—Correct.

Are post-office cars any real value or service to railways?—They are not, as their design is fixed by the department, and being post offices, are unfit to carry ordinary freight or baggage.

How much mail does each of these cars carry?—About what would take up one-eighth of an ordinary baggage car, or 2 tons.

How much more can one of these cars carry?—About 15 tons, if stripped of post-office fittings.

What do express companies pay railways for their privileges?—Fifty to 55 per cent of their gross receipts.

Do express companies assume all responsibility to their patrons?—Yes.

Do express companies get any extra facilities, such as enjoyed by post office, free?—No. On the contrary they contribute toward salaries of station men and train baggage men; release the railways from claims for personal injuries to employees; handle free to the railways remittances and railway express packages. The number of express employees carried on trains is much less than on post-office cars.

Do express companies make money on the 45 to 50 per cent which is all they get out of their receipts?—They do.

It is stated above that the United States pays only 20 per cent of gross receipts for railway transportation of mails, and yet the department is operated at a loss?—That's what the report of Postmaster General shows.

What is the difference in the method of charging by the express companies and the Post Office Department?—The former charge according to distance; the latter as you know carries letters or other mail matter under postage without regard to distance.

How does the dead weight of cars carrying United States mail compare with the weight of the mail hauled?—21.7 tons dead weight to 1 ton of mail.

How is it with passengers?—About the same.

And freight?—1.1 tons of dead weight to 1 ton of freight hauled.

Does the United States pay rent for post-office facilities in cars used partly for baggage or express?—No. United States pays only when United States has the entire car, and as it then pays less than the fare of the clerks in it, and if empty only one-third to one-eighth of what the railroads secure from the public for haul alone, it is hard to find the rent.

Who decides when cars shall be exclusively post office?—The United States.

Who specifies the construction of post-office cars?—The United States.

Who pays for them?—The railways.

Do cars, now specified by the United States, cost more than a few years ago?—Standard steel, weighing 108,000 pounds, cost about 60 per cent more.

Are post-office facilities in apartment cars and full cars provided for the convenience of the railways?—No, indeed. Entirely for post office.

Over how many miles were these full and apartment cars hauled in 1908?—Two hundred and thirty-two millions of miles.

What is average weight of mail per car?—Two and nine-hundredths tons.

How much mail can storage cars without post-office features carry?—Ten to fifteen tons.

If all mail were carried in storage cars, how much would it reduce the car miles?—About 163,000,000 a year.

And this 163,000,000 is due to the post-office features?—Yes.

What's the average number of cars in passenger trains in the United States?—Three and ninety-five hundredths.

What proportion of that is mail cars?—About 11 per cent.

What's the average earnings of passenger trains?—$1.26 per train mile.

Does that include all mail and express earnings?—It does.

Does mail pay 11 per cent of average earnings?—No; it contributes only 9.4 cents per train mile, or 7.5 per cent. To pay 11 per cent of average earnings mail would have to pay 47 per cent more than it does.

What's the average cost of running passenger trains?—$1.47 per mile.

If the United States mail paid its fair share of this cost (or 11 per cent), what would it be?—Sixteen and seventeen-hundredths cents per train mile.

Then it is costing the railroads 16.17 cents to furnish space for which they receive 9.4 cents, or 72 per cent more than they get for it?—More nearly 100 per cent when to operating expenses are added taxes, interest on bonds, etc.

As population grows denser does amount of mail increase?—Certainly.

Then in time the increase in weight brings proportionately increased pay?—It does to the United States—it's same postage rate for letters if there are 2 or 2,000,000.

The railways, of course, receive pay in proportion to the increase weight?—They do not.

Why?—The rate is decreased as the weight increases.

Give example.—Two hundred pounds or less average over length of route is, on non-land-grant roads, $42.74 per mile per year. On land-grant roads it is $34.20. When it is an average of 5,000 pounds, or 25 times as great, the rates are $171 and $136.80, only four times as great. Intermediate weights are proportional.

Is this reduction a voluntary one on the part of the railways?—It is not.

Who makes it?—Congress and Post Office Department.

What is the alleged reason for their action?—To make post-office expenses less than the income.

Does the United States make similar rate reductions in rents, teaming, light, heat, etc., charged for by individuals and companies?—No.

Why?—Everyone knows.

Are other post-office expenses less in same proportion as is the railway pay?—No. In eight years previous to 1908 total expenses grew 93 per cent ($1,000,600,000). The income grew 87 per cent ($89,000,000).

What portion of the expense increase was for railway service?—Only 11 per cent.

What went for rural free delivery in 1908?—$33,935,000, or 34 per cent.

How much for postmasters?—25 per cent, or $25,000,000 of the increase.

Have the post-office expenses always exceeded the income?—No.

What years has this excess been greatest?—Since the adoption of rural free delivery. In 1900 this service cost $420,000, and the year's post-office surplus over all the expenses was $5,385,000.

In 1908 rural free delivery expenses had grown to $35,462,000. Other expenses (not including pay to railroads) had grown to $135,804,583, and the post-office deficit was $17,441,719.

That is to say, the increase in income of post office has been all absorbed by increase in rural free delivery and other expenses (not including pay to railroads)?—Yes.

How much have the "Acts" and "Orders" referred to herein taken from the railroads?—About $8,500,000, or 17 per cent of the total received by them in year ending June 30, 1908, for handling the mail and furnishing postal cars.

Is there any justification in such "Acts" and "Orders"?—Not from any point of view. Labor, material, and the price of everything have advanced materially. Yet in the face of conditions that, in all fairness should have raised it, railway mail pay is practically the only thing that has been decreased.

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## Circular No. 6.—Committee on Railway Mail Pay.

[Grand Central Station, Chicago, February 10, 1910.]

### RAILWAY MAIL PAY AND THE POSTAL DEFICIT.

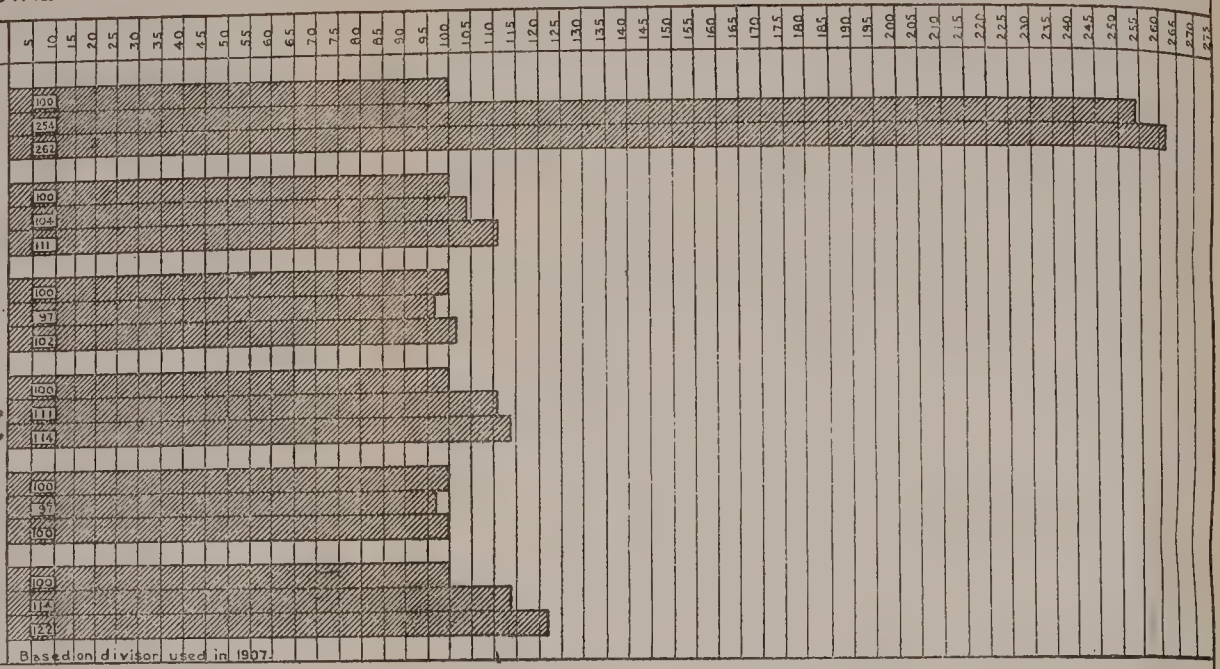
The committee on railway mail pay, on behalf of 139 railroads operating 192,808 miles, herein appealing to the spirit of fairness of the American public, respectfully presents some facts and figures bearing on the compensation paid the railroads for carrying the mails which has been under discussion for the past 12 years, although congressional committees after exhaustive study have reached the conclusion more than once that the pay of the railroad companies for transporting the mails and for furnishing and hauling railway post-office cars was not excessive.

Recent acts of Congress and orders of the department with the force of the law, have reduced the revenues of the railroad companies, though pronounced not excessive by Congressional committees, by the following amounts:

Exhibit A

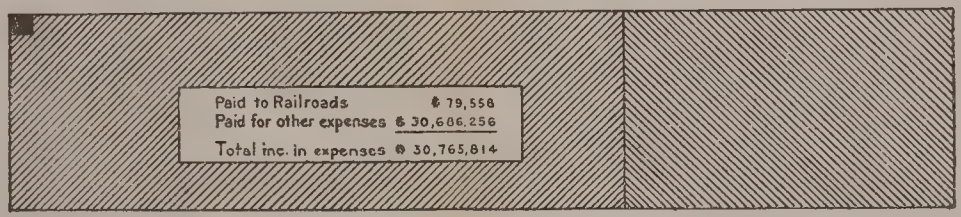
## RELATION OF POSTAL DEFICIT TO SECOND CLASS MATTER, MAIL SERVICE PERFORMED BY RAILROADS, AND POSTAL REVENUES AND EXPENDITURES FOR YEARS ENDING JUNE 30, 1907-8-9.

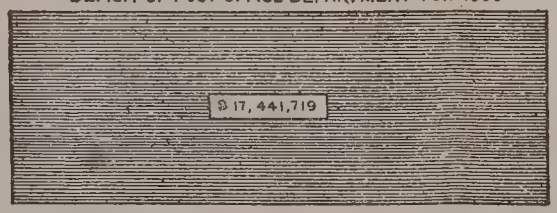
| | YEAR | AMOUNT |
|---|---|---|
| Postal Deficit | 1907 | $ 16,653,283 |
| | 1908 | 16,873,223 |
| | 1909 | 17,441,719 |
| Postal Revenue | 1907 | $ 183,585,005 |
| | 1908 | 191,478,663 |
| | 1909 | 203,562,383 |
| Pounds second class matter handled | 1907 | 712,948,176 |
| | 1908 | 694,865,884 |
| | 1909 | 723,233,182 |
| Ton Miles Mail Service rendered by railroads | 1907 | 466,494,455 |
| | 1908 | 517,869,421* |
| | 1909 | 532,096,419* |
| Paid Railroads by Post Office Dep't. | 1907 | $ 49,657,961 |
| | 1908 | 48,155,379 |
| | 1909 | 49,737,519 |
| Other Expenses of Post Office Dep't. | 1907 | $ 140,580,327 |
| | 1908 | 160,196,507 |
| | 1909 | 171,266,583 |




*Based on divisor used in 1907.

## DISPOSITION OF THE INCREASE OF $ 19,977,378 IN POSTAL REVENUE IN 1909 OVER 1907




KEY

- Payments to Railroads
- Revenue applied to other expenses
- Increase in other expenses in excess of increase in revenue.

First. The act of Congress March 2, 1907, reduced pay on all routes moving more than 5,000 pounds per day and also reduced the rates for furnishing and hauling railway post-office cars. The effect of this act was a loss of $2,676,468 annually, or 6 per cent of the total received for both classes of service.

Second. The act of Congress June 26, 1906, withdrew from the tonnage of mails on which pay was allowed, empty mail bags and certain supplies thereafter to be shipped by freight or express. The effect was to cut a million dollars annually from the pay of the railroads, with no reduction of space or facilities required to be furnished.

Third. The Postmaster General's order of June 3, 1907, changed the methods of computing average weights, resulting in reduction of $4,500,000 per annum, or nearly 10 per cent.

Fourth. The Postmaster General's orders further reduced railway postal-car pay, causing reduction in annual pay to the railroads of $345,287.

All of these reductions, aggregating $8,500,000 per annum, or 17 per cent of the total railway mail pay for the year ending June 30, 1909, were made in the face of large increases in the cost of labor and materials used in railroad operation.

The message of the President of December 7, 1909, on second-class mail matter has inspired those enjoying these very low rates to try to show that the deficit is due to improvident railway mail pay contracts, rental and haul of railway post-office cars, and to grossly discriminatory rates in comparison with those paid by express companies.

## HANDLING SECOND-CLASS MAIL MATTER.

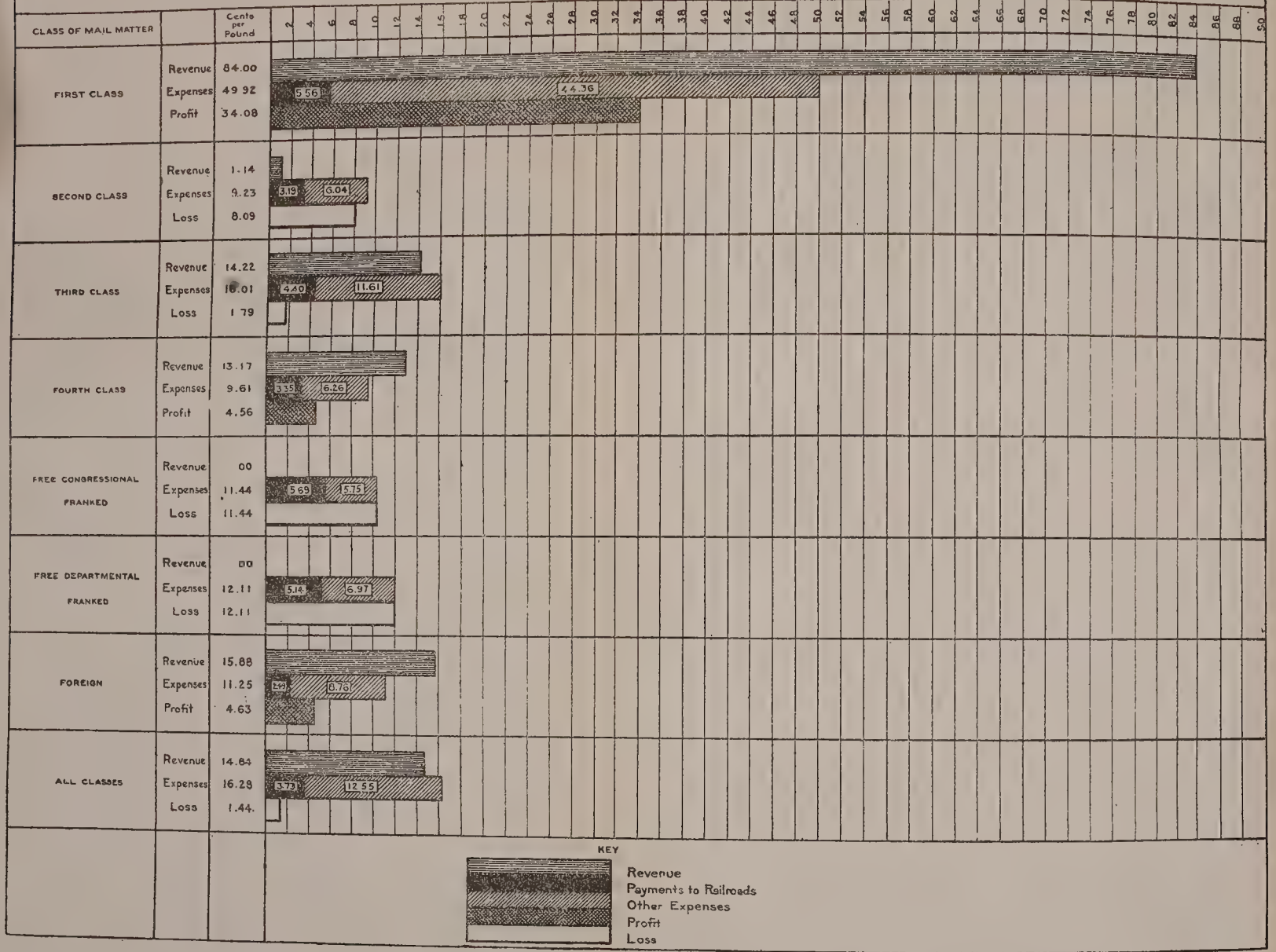
Exhibit A shows that in 1907 the postal deficit was $6,653,283. In 1909 it was $17,441,719, an increase of 162 per cent. During the same period the postal revenues increased $19,977,378, from $183,585,005 to $203,562,383, or 11 per cent, and as tonnage of second-class mail was practically the same (only 2 per cent more) it shows at once the deficit was due to other causes than increase in second-class mail. The pay to the railroads was the same in both years, although the ton-miles of service increased 14 per cent. The entire shaded area at bottom of Exhibit A shows the total increase of expenses of $30,765,814. The small black square in the upper left hand corner shows the extent ($79,558, or about one-fourth of 1 per cent) to which payments to railroads were increased. As neither tonnage of second-class mail nor railway mail pay increased, we must search elsewhere for the causes of the increased deficit from $6,600,000 to $17,400,000; or, put in another way, why it cost the department $30,765,814 in increased expenses to earn $19,977,378 more revenue.

Exhibit B shows the revenues and expenditures of the Post Office Department, per pound, by classes of mail handled (Postmaster General's 1909 report), itemized as to payments to railroads and other expenses. On first-class mail the Government received a revenue of 84 cents per pound. The total expense of handling was 49.92 cents, of which 5.56 cents or only 11 per cent was paid to the railroads and 89 per cent for other expenses. On second-class mail the total expense was 9.23 cents, of which 3.19 cents, or 34 per cent, was paid to the railroads, and 66 per cent for all other expenses. In the case of the first-class mail matter the Government pays the railroads 6.6 per cent of the gross earnings for handling; in the case of the second-class mail, 290 per cent of the gross earnings. Newspapers and magazines have claimed with much force and justice that, whilst the Government may distribute them at a loss, they stimulate so much letter writing that the carriage of the first and second class matter should be considered as joint and a separate traffic. Consolidating the first and second classes, the total revenue becomes 14.88 cents per pound and total expenditures 15.98 cents per pound, of which 3.22 cents is paid the railroads and 12.76 cents for other expenses. The railroad pay is 20 per cent of the total cost, and rural delivery 19 per cent. The free departmental and congressional mail, if charged for at the same rate as the combined first and second class matter, would add $7,086,385 to the revenue of the department, with which it should justly be credited.

The figures of the Postmaster General's Report of 1909, pages 29 and 58, show that the actual amount paid for transporting second-class matter by railroads (including post-office car pay) is only 3.19 cents per pound of mail matter, excluding weight of mail equipment also carried by railroads under the same preferential and discriminatory service accorded the mail itself. The universally misquoted rate of 9.23 cents per pound covers all of the cost of handling mail, including rural delivery, administration expenses, etc. (Postmaster General's Report of 1909, p. 32). As the Government requires the railroads to carry three-fourths of a pound of equipment with every pound of mail, the real rate of 3.19 cents computed on mail alone becomes $\frac{3.19}{1.75}$ or 1.9 cents per pound of weight carried.

Exhibit "B"

# REVENUES AND EXPENDITURES OF POST OFFICE DEPARTMENT PER POUND OF MAIL HANDLED



The apportionment of expenses to second-class matter by the department is open to criticism as of the total loss claimed from this matter nearly $14,000,000 is attributed to rural delivery, which the magazines claim is not required by them, and $7,000,000 for salaries of railway postal clerks and car pay, whilst the amount charged for transportation is too high, for if this matter were removed from the mails the railway pay per ton-mile would become higher whilst postal-car service could be only slightly reduced. Again, the cost of "free in county" delivery of a large tonnage of newspapers is charged against the paying tonnage, whilst if the expenses were apportioned on basis of weight of mail and equipment instead of mail only, the charge against second-class matter would be largely reduced.

### IMPROVIDENT RAILWAY MAIL CONTRACTS—RAILWAY POST OFFICE PAY.

(A) It is the popular impression that the compensation paid the railroads for railway post office cars is a rental simply. Nothing could be more erroneous. The pay covers not only the exclusive use—a very small part indeed of the expense to the carrier—but the very burdensome and expensive duty of hauling the car—a fully equipped post office on wheels—in fast passenger trains in which mail is assorted and distributed en route by a corps of clerks to expedite its delivery at intermediate points and terminals. These cars are hauled in trains, next to baggage cars with ample cubic capacity to carry all mail tendered, and to earn all transportation charges prescribed by law, but for public convenience the department provides these moving post offices, weighing 12.4 per cent of the average passenger train. For the use and cost of hauling this car, ridiculously inadequate railway post office pay is allowed.

Exhibit C shows that for a 60-foot railway postal car the carriers receive 5.5 cents per mile hauled, according to the scheduled railway post office car rates. These cars weigh about 50 tons, so the average earning per gross ton-mile hauled is 1.1 mills. The department on many lines uses the car one way only forcing the carriers to haul it back empty, so that on such lines the car-mile earning would be reduced to 2.8 cents or about the same earnings per mile as from 1½ first-class passengers, and the ton-mile earning to $\frac{5}{10}$ of a mill. From published railway tariffs we find that for hauling empty passenger cars, which weigh much less, the railroads receive 11 cents a car-mile, or 2.4 mills a ton-mile; that to haul empty baggage, express, and mail cars in passenger trains they receive 8 cents to 15 cents a car-mile or from 2.2 mills to 4.2 mills per ton-mile—twice to four times as much as they receive from the Government. To move empty freight cars in freight trains carriers receive more than they receive for moving postal cars in passenger trains, and when the revenue accruing from moving loaded freight cars in freight trains is considered, the disparity becomes almost incredible.

### HIGH COMPENSATION IN COMPARISON WITH EXPRESS SERVICE.

(B) The average haul of second-class mail matter (Report of 1907 Special Weighing of the Mails, p. 58) is 610 miles, the average rate paid the railroads for transporting a pound of this matter, including railway postal car pay 3.19 cents, and for transportation of mail and packages (to make it comparable with express) containing it, 1.83 cents per pound, or 6 cents per ton-mile. The merchandise express rates from Chicago to points named below are as follows for contents and packages:

| Chicago to— | Distance. | Rate per 110 pounds. | Rate per ton-miles. | 55 per cent paid railroads. |
|---|---|---|---|---|
| | | | *Cents.* | *Cents.* |
| Marshalltown, Iowa | 280 | $1.75 | 12.5 | 6.87 |
| Cincinnati, Ohio | 285 | 1.50 | 10.5 | 5.77 |
| Omaha, Nebr | 491 | 2.00 | 8.1 | 4.45 |
| Grand Island, Nebr | 645 | 3.25 | 10.1 | 5.55 |
| New York, N. Y | 907 | 2.50 | 5.5 | 3.02 |
| San Francisco, Cal | 2,267 | 11.50 | 10.1 | 5.55 |

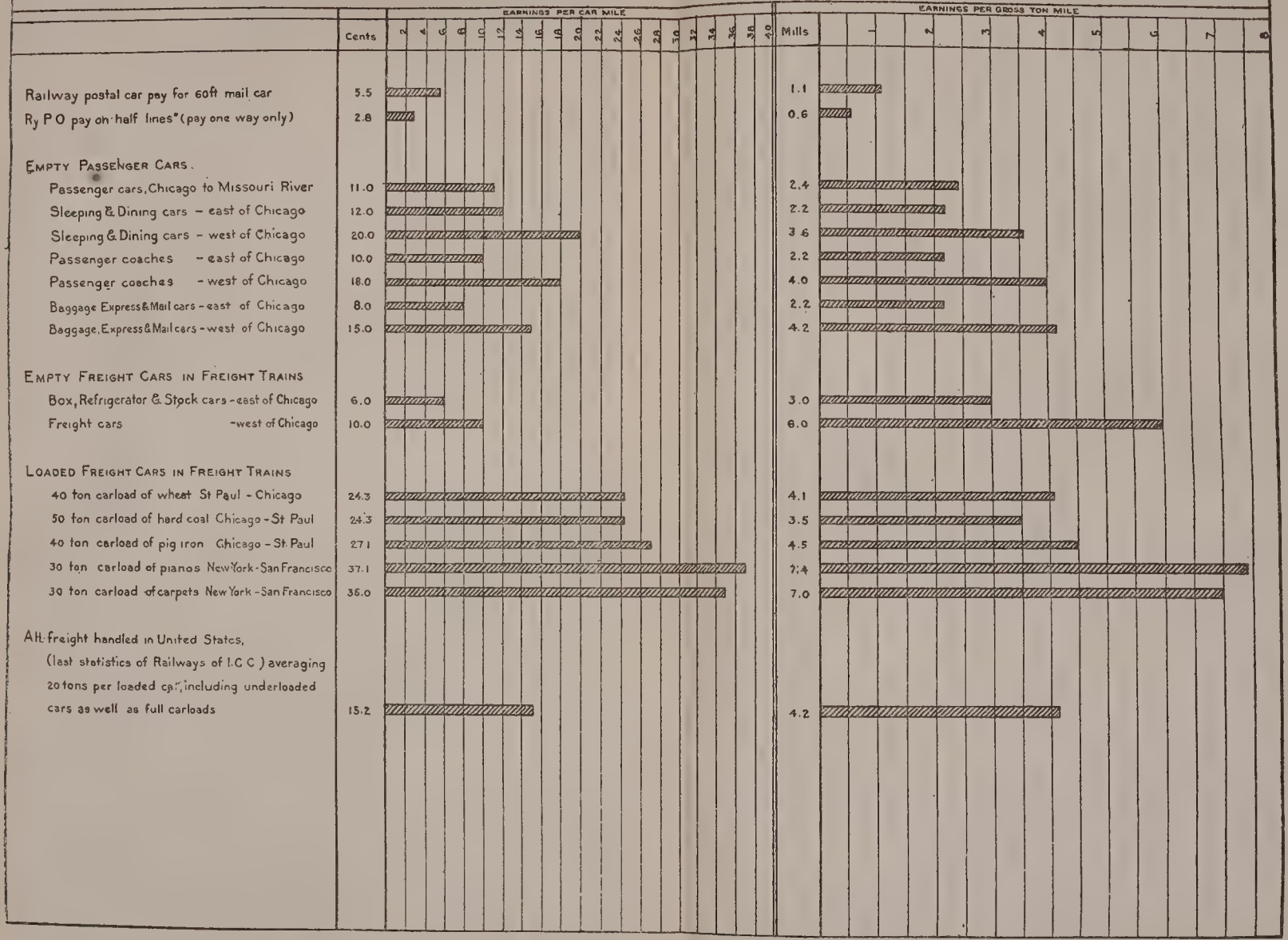
On short hauls express rates are lower than second-class postal rates because postal rates are made regardless of distance, whilst express rates take account of distance carried. Therefore, for long distances express rates are much higher, and the only fair comparison that can be made is one based on average hauls.

Considering the conditions and reciprocal obligations, express is far more attractive and remunerative than mail traffic and would be so though the ton-mile earnings



Exhibit "C"

# RAILROAD EARNINGS FROM RAILWAY POSTAL CAR PAY COMPARED WITH EARNINGS FOR MOVING EMPTY PASSENGER CARS AND EARNINGS FROM FREIGHT TRAFFIC





from express are far less. Bearing in mind that economical train operation means good car loading and good train loading, express is handled with baggage in cars loaded to full capacity; mail requires a post office on wheels with space for mail racks and postal clerks working en route, loaded with an average of but 2 tons, or one-seventh full weight capacity. The design and specifications of the post-office car are made by the department regardless of expense, as the carrier pays, and, therefore, because of its special fittings for post-office use is much more costly to build, equip, maintain, and haul in trains, as its dead weight is 50 per cent greater than baggage and express cars. On the other hand, it brings in less revenue, as its net carrying capacity for mail is not more than 2½ tons, whilst express cars, having no space taken up with special fittings and equipment, can be loaded to 15 or 20 tons. Mails are handled on the fastest trains, often compromising their schedules, and special expenses are imposed on the carriers to transfer at junctions, handle free at terminals and into intermediate stations, fines and deductions are made for delay, etc., all of which are charges against gross mail revenue. In the case of express, the carriers' compensation is increased by services rendered by express companies, such as free carriage of remittances and packages, express messengers acting as baggagemen, joint station agents and employees, etc.

Under existing contracts the carriers are paid from 50 per cent to 55 per cent of the gross earnings of express companies for the transportation service rendered by the carriers. If the railroads were to offer the Post Office Department the more favorable contracts which it is thought the express companies enjoy, the railroads would expect say 50 per cent of the gross earnings of the department, and their pay from all sources for the carriage of mail would be raised from $49,700,000 to over $102,000,000. Express companies pay the railroads 50 per cent to 55 per cent of their gross earnings for transportation; the department pays only 24 per cent. The department retains 76 per cent of its gross earnings and shows a large deficit yearly; the express companies retain 45 per cent of theirs and after paying all expenses of collecting, delivering, messenger hire, etc., pay handsome dividends to their stockholders. The Post Office Department conducts its traffic regardless of all well-founded principles of economy—and very properly so—solely for public convenience, and the beneficiary should expect to foot reasonable bills for the service. The express companies are required by the carriers to handle their traffic with strict regard to economy.

Any comparison of mail with express or freight rates is valueless unless all conditions are considered and valued, such as average haul, character and flexibility of contracts and of service rendered. The higher ton-mile rate may, when modified by conditions, be the less remunerative to the carrier. On the average passenger train carrying mail, express, and passengers 12.4 per cent of the weight of the train is devoted to post-office features not needed by the carrier to accommodate mail tonnage, and is therefore a special charge demanding a much higher ton-mile rate for mail alone to yield the same net return as express and passengers. In 1908 passenger-train earnings from all sources were $674,042,400; 12.4 per cent of the weight of trains should have yielded the railroads $83,581,258, whereas the total payment for handling mail was but $49,737,519.

Mail traffic is of a class distinctly higher than express, and on account of light loading, only 2 tons average per car, must be classed as less than carload business, whilst express traffic in full carloads, with no special additional equipment, approximates carload business. Wide differences in ton-mile rates are sanctioned by law because of classification and size of load.

A greater disparity in rates is found in freight trains. Coal or ore is moved in the same train with silk, hops, automobiles, willow-ware; yet the carriage of the low-grade commodity might yield a larger net return to the carrier because of the much heavier load in the car, less exactions of the shipper, less risk of damage, etc. The following illustrates the wide range of ton-mile rates in freight service:

*Freight rates per 100 pounds, Chicago to St. Paul.*

| | |
|---|---|
| Passenger vehicles (less than carload) | $2.10 |
| Motor cycles (less than carload) | 1.50 |
| Chairs (less than carload) | 1.20 |
| Dry goods (less than carload) | .60 |
| Sugar, coffee (less than carload) | .25 |
| Agricultural implements (less than carload) | .40 |
| Agricultural implements (carload) | .20 |
| Bar iron (less than carload) | .25 |
| Bar iron (carload) | .14 |
| Pig iron (carload) | .14 |
| Hard coal (carload) | .10 |

The range in rates for freight carried in the same train is from unity to 20 times as much, due to difference in classification and size of load, other conditions of transportation being identical. In the case of second-class mail and express the range is extremely small. In the case of freight rates a disparity is also noted of 80 per cent to 100 per cent between carload and less-than-carload rates on the same material.

Rates per ton-mile for transporting freight on freight trains are often higher than rates charged for hauling and furnishing post office car facilities on passenger trains for carriage of mail, as the following indicates:

*Freight rates Omaha and Kansas City to Denver.*

| | Rates per 100 pounds. | Rates per ton mile. |
|---|---|---|
| | | *Cents.* |
| Passenger vehicles, (less than carload) | $4.375 | 14.6 |
| Motor cycles (less than carload) | 3.125 | 10.4 |
| Automobiles; musical instruments; chairs (less than carload) | 2.50 | 8.3 |
| Railroad earnings on second-class mail matter on passenger trains | 1.80 | 6.0 |

As shown by exhibit A, the postal deficit and its great increase in the last two years in the face of an increase of $20,000,000 in postal revenue can not be allocated to either increases in payments to the railroads or losses on increased tonnage of second-class mail matter, both of which remained stationary. Other expenses, however, of the Post Office Department absorbed the larger revenue by increasing over $30,000,000. This was in part due to extending the rural delivery (which increased $9,000,000) and for increased forces and salaries due to higher cost of living (increase $20,000,000).

Postal revenue has been increasing at the rate of $10,000,000 annually, and if postal expenses are controlled they should increase much more slowly; and in two or three years the deficit should disappear unless the greater revenue is used for further improvements in service; and, if it is, the public should be willing to foot the bill. The railroads are now underpaid and are receiving less and less of the postal revenue for greater measures of service rendered. Ten years ago, in 1899, of each dollar of postal revenue, 38 cents was paid to the railroads; in 1909 only 24 cents, a decrease of 14 cents, or 37 per cent. The 1909 postal deficit was 8 cents per dollar of revenue, so that had the 14 cents saved from the railroad proportion (or the equivalent of $29,000,000 on basis of 1909 revenue) been used to reduce expenses instead of further serving the public, it would have wiped out the deficit and left a surplus of 6 cents per dollar, or $12,000,000. Instead, however, the $29,000,000 wrung from the railroads was applied to various purposes with the resulting deficit.

Whether the service shall be improved with an annual deficit or remain stationary with no deficit, or with a surplus, depends on whether further improvement of the service or a favorable financial showing is to be the paramount consideration. The able men in charge of our postal service can easily bring about either result. It is for the public to decide which they want, but in deciding, we appeal for justice and a square deal for the railroads.

THE COMMITTEE ON RAILWAY MAIL PAY.

## RAILWAY POST-OFFICE CAR SERVICE ON ATLANTIC COAST LINE RAILROAD. (SUBSTITUTION OF 30-FOOT FOR 60-FOOT R. P. O. CARS.)

The following correspondence in relation to the above heading, and referred to the joint committee, is submitted:

APRIL 24, 1913.

Hon. F. M. SIMMONS,
*United States Senate, Washington, D. C.*

MY DEAR SENATOR: Your letter of April 7 to Senator Bankhead, inclosing communications addressed to you from Mr. W. N. Royall, general manager Atlantic Coast Line Railroad Co., relative to the removal of 60-foot cars and substitution of 30-foot R. P. O. cars on certain Atlantic Coast Line trains, has been referred to the joint committee on postage on second-class mail matter and compensation for the transportation of mail.

As you are aware, the subject of compensation to railways for the carriage of mails, including that for the R. P. O. service, is now under consideration by the joint committee. The editorial attached to Mr. Royall's letter from the News and Courier of March 24 is one suggesting food for thought.

Yours very truly,

JONATHAN BOURNE, Jr., *Chairman.*

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UNITED STATES SENATE,
*April 2, 1913.*

Hon. JOHN H. BANKHEAD,
*United States Senate.*

DEAR SENATOR: I inclose you a letter from Mr. W. N. Royall, general manager of Atlantic Coast Line Railroad, which is self-explanatory.

Very truly yours,

F. M. SIMMONS.

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ATLANTIC COAST LINE RAILROAD CO.,
*Wilmington, N. C., March 24, 1913.*

Hon. F. M. SIMMONS,
*United States Senator, Washington, D. C.*

MY DEAR SIR: I beg your attention to the attached editorial from the Charleston News and Courier of to-day. I am also iinclosing, for your information, copy of order of the Second Assistant Postmaster General, under date of November 22, 1911, directing the removal of full 60-foot R. P. O. cars from our trains 80, 82, 85, and 89, between Fayetteville, N. C., and Jacksonville, Fla., and calling upon us for 30-foot apartment cars for the service between those points on all of these trains. I also attach copy of letter from Superintendent Railway Mail Service, in which he states only 30-foot apartments are needed south of Fayetteville.

I am merely calling your attention to this in view of the fact there may be some misunderstanding on the part of the public. We are at this time trying to comply with the original order, as we now have sufficient 30-foot apartment cars to perform the service on Nos. 80 and 89. At the time the order went into effect we could not supply 30-foot apartments, and while we might have done so at an earlier date, we did not do so until we had exhausted every means at our command to secure compensation such as is commonly allowed all over the country for use of 60-foot post-office distributing cars.

The effect of the department's order in this case unquestionably has resulted in inferior service for the past year. This order was one of the "economies" of the Hitchcock administration, and in order to accomplish this uncalled-for reduction in

compensation for rental of our R. P. O. cars the department removed the clerks who formerly lived in Charleston to Fayetteville. Fayetteville is an intermediate point on our line, as you know, so far as changing engines, crews, or breaking our through trains is concerned, and of course it has been very inconvenient for us to handle the matter under the order of the department, as we are required to stop and make transfer on account of change in the number of clerks at that point.

I have been informed, and believe, that in order to demonstrate the alleged practicability of this scheme of the department, the clerks are endeavoring to make distribution of Georgia, South Carolina, and Florida mails before reaching Fayetteville, in order that the mail for those States and beyond may be sacked and concentrated in the apartment car, so as to reduce the necessity for distributing space in railway post-office car after leaving Fayetteville. The result of this has been that every day for months the department has been carrying as far as Fayetteville, Florence, and Charleston mails that should have been currently distributed while the train was passing through the States of Virginia, North and South Carolina, and we have been compelled to haul them back and forth over our line undistributed. For instance, No. 89 will put off a great number of pouches of undistributed mail for points north of Fayetteville, at Fayetteville; train 80 will carry these pouches back to Wilson, Weldon, and Emporia—sometimes Richmond—and the actual delivery of the mail is made to people along our line in certain instances 24 hours late. The mail on our line between Richmond and Jacksonville has been handled with greater delay, and in the most unsatisfactory manner, during the past few months than at any time during our history, and by reason of the department's methods we have suffered great expense in transfer and our passenger trains have been delayed unnecessarily.

The department caused us to construct eight all-steel postal cars by reason of their demands in Congress for this equipment, and then within a few months after the cars were constructed our railway post-office pay was decreased. These cars cost us about $10,000 each. Years ago when we furnished 60-foot wooden railway post-office cars for distribution purposes the cost was a little over $4,000 each, and we were paid for rental of these cars for the entire run over the line.

The departmental orders issued during the past four years have so greatly reduced our pay as to make the service unprofitable. We are to-day receiving less compensation for carriage of the mails, including railway post office, than we did in 1905, and our railway post-office compensation—that is, for rental of 60-foot distributing cars—has been reduced since 1905, 81 per cent; in other words, we are to-day receiving only 19 per cent of the amount for 60-foot car rental that we received in 1905.

We have been urging the matter of compensation and maintenance of 60-foot cars south of Fayetteville before the department, and requesting that they give us relief. I have had daily reports covering a period of nearly two months of the service on our line, showing the number of pouches carried by and various irregularities in the handling of the mails, which, if you care to see, I will be pleased to send you.

Any steps you feel inclined to take in our behalf for relief in this matter will be greatly appreciated.

Yours very truly, W. N. ROYALL, *General Manager.*

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The News and Courier.

WHY MAIL IS OFTEN LATE.

From its energetic correspondent at Florence, S. C., The News and Courier has received the following, under date of March 22:

Col. J. A. Metts, of Charleston, chief clerk of the railway mail service in this district, was in the city this morning en route to Fayetteville, N. C., where he went to-day to look after the matter of changing the mails on Atlantic Coast Line trains, Nos. 80 and 89, the through mails to and from the North and South.

Beginning to-day, March 22, the Atlantic Coast Line Railway cuts out at Fayetteville, on train No. 89, and cuts in at Fayetteville on train No. 80, the 60-foot electrically-lighted steel built mail cars that were purchased for the run between Washington and Jacksonville, Fla., and only from Washington to Fayetteville, N. C., will these mail cars be used. At Fayetteville the mails will be transferred to a 30-foot combination mail and baggage car and thereby cause untold delay, not only to train service, but to the proper delivery of the mails by the clerks of the railway mail service on the run between Florence and Rocky Mount, N. C., as well as on the entire line between the North and South.

The 60-foot mail cars are now crowded with the heavy mails, and since the parcel post was established it is growing in volume daily, so that the large mail cars are even packed to the top of the car every morning and night with the heavy mails, and on train 89 from the north it has been found necessary nearly every day to call into requisition one-half of the baggage car next adjoining in the train service.

This correspondent took a "peep in" on one of the large mail cars a few nights ago as the train pulled into the station from the north, and, although Florence is half way between Washington and Jacksonville, Fla., yet the car was packed full of mail sacks filled with mail and the front end of the baggage car was stacked full also. One of the clerks in the car was heard to remark that there were sacks of mail deep down in the pile that contained mail for points north of Florence that had not been touched nor could they be until after leaving Charleston or Savannah, Ga., for it was simply an impossibility to get to them and do the more important work.

It is almost a nightly occurrence that Florence mail is carried on south or north and returned by other trains during the day or as soon as they can be gotten at by the clerks on the run.

It is stated, not officially, however, that the Atlantic Coast Line is cutting out the service of the large cars because they are only paid by the Government for a 30-foot car service, and the Government has been getting from 60 to 120 feet car space, and they do not propose to continue to haul Government mail for less than what they are paid.

It is a very serious problem to the business communities of the various towns and cities along the Atlantic Coast Line, and the matter should be promptly called to the attention of the post-office officials. If the railroad people are to blame they should be made to come across. If the Post Office Department is to blame for not paying the railroads what they should, then they should be called down and made to "come across" and remedy this intolerable state of affairs. The matter needs investigation, and that quickly.

We have given this article space in our editorial columns because it has seemed to us to throw at least a measure of light upon one of the most important problems with which the new administration at Washington will have to deal. Postmaster General Burleson is making a thorough inquiry into the conditions affecting the postal service, we are told. He has announced that it will not be his policy to administer the department with a view to making the service pay for itself, but with the prime purpose of making it efficient. It is apparent that it can not be efficient so long as the Government continues to swell the volume of the matter handled, by reason of the adoption of the parcel post and the expansion of the rural free delivery routes, and at the same time cuts down the facilities for handling mail matter on the railroads and reduces the number of railway mail clerks and their hours of labor.

When letters and packages and newspapers are delayed or go astray it is not the clerks who should be blamed, under present conditions, but those who are responsible for the conditions. The Wilson administration can not help matters right away. It will take a reasonable amount of time to work an improvement. But the public will support no Government which tolerates the inefficiency which now exists in this country in the handling of the mails.

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WASHINGTON, *November 22, 1911.*

Messrs. THOMPSON & SLATER,
*Agents Atlantic Coast Line Railroad Co.,*
*Washington, D. C.*

GENTLEMEN: You are advised that on account of a proposed change in the manner of both the organization and performance of service in the Fayetteville and Jacksonville R. P. O., it is reported that the mails in the trains of this R. P. O. (Nos. 80, 82, 85, and 89) can be provided for by apartment cars. Orders have therefore been issued this date in this connection, of which the following are copies:

From December 31, 1911, the R. P. O. car service and pay therefor on route No. 120030 between State Line (n. o.) and Peedee Railroad Station (n. o.), S. C., are discontinued.

From December 31, 1911, the R. P. O. car service and pay therefor on route No. 120002 between Florence and Peedee (n. o.), S. C., are discontinued.

From December 31, 1911, the R. P. O. car service and pay therefor on route No. 120005 between Florence and Charleston, S. C., are discontinued.

From December 31, 1911, the R. P. O. car service and pay therefor on route No. 120004 between Charleston, S. C., and Savannah, Ga., are discontinued.

From December 31, 1911, the R. P. O. car service and pay therefor on route No. 121009 between Savannah, Ga., and Jacksonville, Fla., are discontinued.

From December 31, 1911, the one-half line of 60-foot and the three half lines of 40-foot R. P. O. cars authorized on that part of route No. 118002 between Fayetteville and State Line (n. o.) are discontinued, and there is deducted from R. P. O. car pay at the rate of $2,618.55 per annum, being $57.50 per mile for 45.54 miles.

Very respectfully,

JOSEPH STEWART,
*Second Assistant Postmaster General.*

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APARTMENT CARS FOR THE WASHINGTON-FAYETTEVILLE-JACKSONVILLE LINE.

WASHINGTON, *November 28, 1911.*

Mr. W. N. ROYALL,
*General Manager Atlantic Coast Line Railroad,*
*Wilmington, N. C.*

SIR: I am directed by general superintendent of our service to advise you that from and after December 31, 1911, distribution of Florida mail will be transferred from the Fayetteville and Jacksonville R. P. O. to the Washington and Fayetteville line, and that authorization for full car service in the Fayetteville and Jacksonville car will be discontinued, full cars there to be superseded by apartment cars.

To accomplish this we will need 30-foot apartment cars in train 89; that is, it will take three 30-foot apartments, in addition to the line of sixties, between Washington and Fayetteville, or it would take five to cover the service all the way through to Jacksonville when you cut out the full cars at Fayetteville.

Train 85 will simply need a line of thirties between Fayetteville and Jacksonville; or, to man the two trains, 85 and 89, with their opposite return trains, will take seven 30-foot apartment cars. Please advise if you will be prepared to make the desired change on the date named.

Respectfully,

NORMAN PERKINS, *Superintendent.*

## THEORY OF RAILWAY MAIL PAY.

The following letter from Dr. Max O. Lorenz, associate statistician, Interstate Commerce Commission, together with a statement giving an outline of his personal views with reference to the above heading, is submitted:

INTERSTATE COMMERCE COMMISSION,
DIVISION OF STATISTICS,
*Washington, March 13, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Washington, D. C.*

DEAR SIR: In compliance with your request, I have prepared an outline of my ideas regarding the theory of railway mail pay, and inclose a copy of same herewith. It is scarcely necessary to say that these are my personal views and are not in any sense an expression of the position which the Interstate Commerce Commission or its members might take.

Respectfully,

MAX O. LORENZ,
*Associate Statistician.*

### THE THEORY OF RAILWAY MAIL PAY.

In the matter under consideration, the Government is a purchaser of transportation from the railway companies. The problem before us is to ascertain a fair or just price to be paid for that transportation. For some of the things which the Government buys, the competitive bidding of various sellers may indicate what is a fair price. Here we have something different. It is obvious that there could be no automatic determination of the price by competition of the railways. This is merely the same conclusion which has been reached with respect to railway rates generally. The truth is that the question of railway mail pay presents a special case of railroad-rate making, and in settling this question, use should be made of the conclusions that have been established with respect to the making of railroad rates.

Among the things which the courts have told us must be considered in determining a reasonable rate, two things stand out prominently: The value of the service to the purchaser of the transportation and the cost of the service to the railway company. In the case of a private shipper who is trying to sell a commodity in a particular market, it is conceivable that we could approximate the value of the service to him by finding how high the rate could be without putting him out of business. But who will say what is the value of the mail-carrying service to the United States Government? The Government could pay one hundred millions instead of fifty and make up the deficit from taxation. Value of service as a basis for determining railway mail pay leaves us completely in the air.

On the other hand, in the cost of service principle we have something much more tangible, something that can be statistically measured, if not with accuracy at least with sufficient approach to accuracy to serve as a guide in the search for a reasonable compensation. Cost is the one well-approved and at the same time practicable basis upon which a determination of railway mail pay must chiefly rest.

Before considering the objections to this position, let us understand clearly what we mean by cost. We may have in mind a restricted meaning or a complete meaning. A restricted meaning would include merely the wages paid, the repair of equipment, the cost of fuel, the maintenance of the rails, ties, etc.; in short, the current expenses of operation and upkeep or what is known in the official reports as the operating expenses. If a railroad collected only this amount from its patrons it would go into bankruptcy. It needs additional money for the following purposes: It must pay taxes, it must pay interest, and, if it is not to discourage new investment, it must pay dividends, and, furthermore, it must have a surplus to carry it through the lean years. When all these items have been added to operating expenses, we have cost in the complete sense; in short, operating expense plus taxes and return on investment.

We may proceed now to consider the main objections to the cost basis. It is urged that the cost basis would offer a premium for inefficiency and it would reduce the payment to that company which by efficient management reduced its costs. While the mail revenue is relatively small as compared with the total operating revenues, still, as a matter of principle, this objection merits consideration, for it contains a sound idea. The Government should not discourage efficiency. But this objection is in reality not an objection to cost as a fundamental guide, but it is an objection, and a legitimate one, to cost applied to the exclusion of every other consideration. It is a valid objection, possibly, to that form of law which would direct an official to apply cost and nothing but cost as ascertained for each individual railway. If the cost idea is to be applied separately to each railway corporation, there must be given a discretionary power to some administrative body to take into account, subject to review, all pertinent circumstances pertaining to the individual case.

The second objection to the cost basis is that it can not be ascertained. It is true that such ascertainment is not merely a question of accurate statistics and accounts, but it involves also a more or less arbitrary apportionment of those expenses which are incurred in common for various services. Thus, the hauling of a mail car occasions very little expense, outside of car repairs, that can be traced directly to that car. The train expenses are incurred to a large extent for all the cars in the train and must be apportioned on the basis of some physical unit. It would be for a committee of Congress or for some commission to say, after hearing the arguments advanced for each possible basis, which one seemed to them the most equitable. A similar decision would have to be obtained with respect to the bases for the common expenses as between the freight service and the passenger train service. In short, a scheme of apportionment for all accounts could be adopted by such committee or commission and promulgated as authoritative for this purpose. The amount of work involved in this procedure must not be judged solely with reference to the importance of the problem of railway mail pay, because the results of such labors would doubtless be used in many cases before courts or commissions where a consideration of cost seemed important.

So much for the basic principle involved. Whatever short cut or convenient device may be adopted, it must find its justification in some direct or indirect consideration of cost. There are a variety of ways in which this cost principle could be applied. It can be used with greater or less thoroughness, as seems advisable.

1. One conceivable solution would be to direct the Interstate Commerce Commission to alter its annual report form in such a manner that the regular report of the carriers each year would give the information necessary to calculate the car-foot-mile cost (if that should be the unit prescribed) and to determine the basis for each road on which to calculate the mail pay, by considering mainly cost, but taking also into consideration the conditions peculiar to each case, such as abnormal conditions, inefficiency, etc. From such findings the carrier could appeal as it can appeal at present from rate decisions. The final result could be transmitted to the Post Office Department, which, on the basis found, would determine the actual amount due each carrier.

2. Another method would be for the committee to classify the roads geographically, or by density of traffic, and to make as detailed a cost study of the typical roads in each class as seemed necessary to satisfy the committee in a general way whether the existing rate of pay is substantially just, or too high or too low, and then to adopt a specific rate of pay per car foot mile or per ton or whatever unit seems best, to be paid to each of the roads in any particular class, there being a separate rate for each class. This would be much simpler than attempting to fix a separate rate for every road. It is obvious that this simpler plan of classifying the roads could also be made a part of the method suggested in the preceding paragraph.

3. The method indicated in the preceding case could be modified or supplemented as follows. When we consider that passenger earnings have been under consideration and scrutiny by State commissions and Federal courts for many years, we may assume that passenger earnings are not exorbitantly high or disastrously low in comparison with cost. (It is true, railway companies say that their passenger departments do not pay, but they do not mean by this that the passenger department is a financial drain. Thus the Pennsylvania Railroad Co. states in its report to its stockholders in 1911 that the passenger earnings were 1.980 cents per mile, and the operating expense, including taxes, was 1.805 cents, or a net operating revenue of 0.175 cents. This net revenue may not be sufficient to pay a just proportion of the capital charges, which are not included in the 1.805 cents, but still it contributes something to such charges.) The committee, then, from a study of passenger train car mile earnings might get some indication of what would be a proper payment for hauling a postal car a mile. It is not clear that the Government should pay exactly the same per postal car as passengers pay for the use of a passenger car, but this seems to be one way of arriving at a judgment. It may be of interest in this connection to consider

the passenger car mile earnings for different sections of the country as indicated on the following table:

*Passenger train car-mile revenue, 1910.*

| | Cents. |
|---|---|
| Group I.—Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island | 32.7 |
| Group II.—New York and Pennsylvania | 25.3 |
| Group III.—Indiana, Ohio, and Michigan | 22.7 |
| Group IV.—Virginia, West Virginia, North Carolina, South Carolina | 23.6 |
| Group V.—Kentucky, Tennessee, Mississippi, Alabama, Georgia | 24.1 |
| Group VI.—Illinois, Iowa, Wisconsin, Minnesota, North Dakota | 24.3 |
| Group VII.—Montana, Wyoming, Nebraska, South Dakota | 25.1 |
| Group VIII.—Colorado, Kansas, Oklahoma, Missouri, Arkansas | 24.9 |
| Group IX.—Texas and New Mexico | 26.6 |
| Group X.—Washington, Oregon, Idaho, California, Nevada, Utah, Arizona | 30.7 |
| United States, all groups | 25.5 |

The figures in this table are not strictly accurate because the car-mileage table and the operating revenue table in the annual statistical reports of the commission are not entirely comparable as to the totals. Furthermore, these earnings include the present postal earnings. But the averages are sufficiently accurate for illustrative purposes.

4. The suggestion has been made that a very simple solution of the problem would be to turn over to the railways as a body a fixed percentage of the postal receipts, or some portion of them. Can this be justified from the cost standpoint? Obviously cost would have to be drawn into consideration in arriving at a judgment as to what is a fair percentage.

It may be noted that the simplicity of the scheme would exist chiefly from the standpoint of the Government. The railways would have to organize a corporation to receive the money and to collect statistics on the basis of which the payments would be made to each company. From the broad social standpoint there would perhaps be as much expenditure of effort in getting the payments in proper amount to each company as if the Post Office Department made the payment directly.

Again, the variation in postal receipts does not necessarily reflect the variation in the amount of service rendered by the roads. Should the amount of pay to the roads be made to depend on what particular conclusions Congress might reach with respect to the price the public should pay?

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## STATEMENTS OF SHORT LINE RAILROADS IN REGARD TO RAILWAY-MAIL PAY.

The following statement, referred to in volume 5, page —, of the hearings as giving a number of illustrations applicable to short line roads of the actual earnings received and the actual space used in the mail as compared with the express service, as well as the attitude of such roads with reference to the general subject of railway-mail pay, is submitted by the Short Line Railroad Association through its secretary, Mr. John N. Drake:

STATEMENTS OF SHORT LINE RAILROADS IN REGARD TO RAILWAY-MAIL PAY.

SHORT LINE RAILROAD ASSOCIATION.

[60 Wall Street, New York; 1110–1112 F Street NW., Washington, D. C.]

WASHINGTON, D. C., *June 10, 1912.*

*To the Committee on Post Office and Post Roads of the House of Representatives, Washington, D. C.*

GENTLEMEN: H. R. bill 4044, "To amend existing laws and equalize pay for mail services on railroad lines," calls for four amendments to the general act, viz:

First. That routes carrying their whole length an average weight of mail per day of not more than 500 pounds should receive $75 per mile per year.

Second. That the weighing of the mails should not occur less frequently than once in each year.

Third. The discontinuance of the delivery of mails beyond the depot of the railway-mail carrier.

Fourth. That the allowance for space used for railway post-office purposes in apartment cars should be paid for at pro rata of the rate of compensation allowed for postal cars 40 feet in length.

All of these amendments are fair and equitable and are earnestly advocated by this association. Two of them would right gross and inexcusable wrongs which have been inflicted for years upon short line mail-carrying routes. We refer, first, to delivery of the mails from terminal stations to post offices no matter how far distant they may be from the railroad stations, based upon the same rate of compensation as that allowed for the railroad route; second, to the use of apartment-car space fitted up as post offices at the expense of the road, lighted, heated, iced, and kept in order by the road and carrying mail messengers free.

What fair-minded man can view with equanimity the rank injustice sanctioned by law of compelling a mail-carrying railroad to deliver mail over the public highway any distance from half a mile to 5 miles or more at the same rate allowed for the railroad mileage. As an example take a railroad 10 miles in length, whose station is half a mile from the post office.

If this road carries 200 pounds of mail per day it is entitled under the law to receive $42.75 per mile per year. The post-office department therefore allows $42.75 for 10½ miles. Ten miles for the railroad carriage amounts to $427.50 per year. At a most conservative estimate the service of a messenger from the station to the post office to cover the remaining half-mile four times a day would cost 50 cents a day, $3 a week or $156 a year, thus in this one particular cutting the pay of the road to $271.50, when it is entitled to receive $427.50. In the matter of apartment car space—according to the report of the Second Assistant Postmaster General for the year ending June 30, 1911, there were in use during the year 1,213 whole cars—that is, cars 40 or more feet in length entitled to pay, while the same class of cars held in reserve were 251. During a like period there were 3,204 apartment cars with 615 in reserve, none of which received a penny for the services they performed or any return whatever for the expenses they incurred in equipping the cars, maintaining and running them. Three

thousand eight hundred and nineteen apartment cars ranging in length from 10 feet to 35 feet, performing a large percentage of all the R. P. O. service in the country under conditions imposed by law and post-office regulations, are therefore deprived of the pay due them for a most exacting service. If a postal car is 40 feet in length, under the present law it receives $25 per mile per annum; if it is 45 feet in length $27.50 per mile per annum; 50 feet, $32.50 per mile per annum; 55 feet or more $40 per mile per annum. The increased space from 40 feet to 55 feet is thus shown to receive pro rata compensation. Does any reason exist why the short-line railway mail routes should not be similarly treated?

At the request of the Post Office Committee of the Sixty-first Congress, this association compiled certain information which related to the earnings of the small roads from transporting mails, compared with their earnings from express and passengers, and furnished information of the cost of carrying the mails, compared with the revenue. The statements gave a summary of the service on 21 roads in the particulars regarding which the committee made special inquiry and were submitted as typical of conditions on all the small railroad-mail routes of the country at a hearing held before the Post Office Committee of the House of February 7, 1911. The association also gave a table showing the cost of transporting the mails on 22 of its short lines. This cost was $6.08 per thousand foot-miles, excluding interest, while the revenue was $3.26, and the revenue from passenger and express traffic was $5.82 per thousand foot-miles, or 80 per cent greater than the revenue from the mails. This information we herewith append in detail.

By enacting H. R. bill 4044, thus equalizing pay for mail service on railroad lines, the injustice now inflicted upon short line mail-carrying roads would be eliminated and these lines would be given fair and conservative compensation proportionate to that which they now receive in passenger and express branches of the carrying trade, to which class the mail transportation belongs. The roads would also be placed upon the same basis accorded the larger and more prosperous roads for performing like service.

Yours, very truly,

SHORT LINE RAILROAD ASSOCIATION,
By JOHN N. DRAKE, *Secretary*.

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STATEMENTS OF VARIOUS ROADS.

Mail route 110212—BELLEFONTE CENTRAL RAILROAD, between Bellefonte and State College, Pa., 19.51 miles. Closed pouch service, three round trips six days a week, with a daily average of 550 pounds of mail, based upon the last weighing. As a matter of fact and record the weight was 643 pounds for each day of service and would have been credited to the road if the aggregate weight had been divided by 6, the number of days in the week the mail was carried, instead of by 7,, the arbitrary divisor.

| | | |
|---|---|---|
| The total mail compensation received per year | | $1,166.66 |
| Mail messenger service at terminals on the route costs: | | |
| Bellefonte | $120.00 | |
| State College | 100.00 | |
| Route deliveries | 150.00 | |
| | | 370.00 |
| Which, after deducting from the amount received, made the total cash receipts | | 796.66 |

Of the combination car space on the route (50 feet) devoted to passengers, baggage, express, and mail, 38 linear feet is apportioned to passengers and baggage, 8 feet to express, and 4 feet to mail.

The express service is performed by the Adams Express Co., and they pay for the service $1,738. They also pay 26.66 per cent of the salaries of the joint train, baggage, and express men, in addition to paying $540 a year as their proportion of the railroad station employees' salaries, making a total of more than $2,500 per year for the express service against $796.66 received for the mail.

The express company makes no guarantee of a minimum rate to be paid.

Applying to the total passenger expense of the road the percentage of space in passenger trains devoted to the mails, the annual cost of carrying the mails is $2,604. With interest and taxes added ($122) the actual cost is $2,726, for which the road receives $796.66, less than one-third the estimated cost.

The Post Office Department is now paying $600 per annum per star route to deliver one mail per day on a route abandoned by the Bellefonte Central because it allowed the road only $178.26 per year for two mails per day. This service netted the road $125 a year.

*Mail routes—Buffalo, Rochester & Pittsburgh Railway.*

(1) Route 107102—289.21 miles between Rochester, N. Y., and Butler, Pa., 64 round trips weekly.
(2) Route 107097—1.11 miles between Silver Lake Junction and Silver Springs, 33 round trips weekly.
(3) Route 107130—48.22 miles between Buffalo and West, N. Y., 34 round trips weekly.
(4) Route 110178—5.10 miles between Lanes Mill and Coal Glen, Pa., 18 round trips weekly.
(5) Route 110135—26.55 miles between C. & M. Junction and Clearfield, Pa., 13 round trips weekly.
(6) Route 110261—44.69 miles between Butler and Pittsburgh, Pa., 13 round trips weekly.
(7) Route 110252—33.93 miles between Indiana Junction and Indiana, Pa., 14 round trips weekly.
(8) Route 110255—18.89 miles between Ridge Junction and Iselin, Pa., 12 round trips weekly.

The service is performed in 7 apartment cars, and in addition 14 cars are used in part for closed-pouch service.

| | | |
|---|---|---|
| The total compensation received for carrying the mail is, gross | | $50,330.21 |
| Mail messenger service for deliveries costs: | | |
| Silver Springs | $36.00 | |
| Gainesville | 96.00 | |
| Lanes Mills | 144.00 | |
| North Point | 27.00 | |
| Hyde | 60.00 | |
| Butler | 480.00 | |
| Indiana | 240.00 | |
| | | 1,083.00 |
| The cost of side deliveries made by employees, which consumed one-twentieth of their time, is charged at | | 1,300.00 |
| Making the net revenue for carrying the mail | | 47,947.21 |

The annual mileage of mail apartment cars is 380,350 miles. This does not include baggage cars in which closed pouches are handled. A closed-pouch service is handled on all routes except route No. 110252.

The maximum aggregate is 610 pouches and the minimum 154 pouches.

The American Express operates on the road and pays in cash $49,500 per annum. They also pay, as their share of the salaries of joint train, baggage, and express men, $9,701; also $8,444 for salaries to railroad agents, $120 in rentals, and perform service for the railroad valued at $4,600, all of which aggregates $72,365, against $47,947.21 received for carrying the mail.

The express company guarantees a minimum of $16,500. There is no agreement with it not to charge less than 150 per cent of first-class freight.

In this connection the road wishes to state that its express contract was entered into 15 years ago and was made at a very low rate. The contract will soon expire, when it is expected that a new arrangement will be entered into at a considerable advance over that now in force.

The total operating expenses of the road are $5,590,000 per annum. The amount directly assignable to passenger traffic is $275,700 per year. The nonassignable passenger expense amounts to $1,527,700 per annum on a train mileage basis.

Applying to the total passenger expense the percentage of space in passenger trains devoted to the mails, the estimated cost of carrying the mails is $86,563.20.

The number of miles traveled by postal clerks in postal cars over this road is 472,320 per year, which at 2 cents per mile would be $9,446.40.

Route 163010—BUTTE, ANACONDA & PACIFIC RAILWAY, between Butte and Anaconda, Mont.—25.67 miles, four round trips seven days a week, with a daily average of 2,827 pounds. The mail service is performed in two (19½ feet) apartment cars on four trains daily, also in closed pouches on four other trains. The closed pouches range from 24 to 62 pouches daily, and the average pouch weight handled is 700 pounds by the road's baggageman. The pouch service on this road, if charged at the express company's rate, would yield $1,500 per year.

| | | |
|---|---|---|
| The total compensation received for apartment cars and pouch service is, gross | | $3,187.28 |
| Mail messenger service at terminals on the route costs: | | |
| Butte | $900.00 | |
| Anaconda | 720.00 | |
| Side deliveries: | | |
| Silver Bow | 39.96 | |
| Durant | 17.76 | |
| Gregson | 13.32 | |
| | | 1,691.04 |
| Thus leaving the road, for all the mail service performed during the year, net | | 1,496.24 |

The eight trains over the road daily have 1,520 linear feet of space; of this, 1,347¾ feet devoted to passengers, earned for the year ending June 30, 1910, $98,288.10 gross; 14 feet devoted to express, earned $7,702.58 net; the 158¼ feet devoted to mails earned $3,187.2, gross and $1,496.24 net.

(The express matter probably consists chiefly of gold, silver, and copper ore, requiring very small space.)

The Great Northern, Northern, Wells Fargo, and American Express Cos. operate over the line. They each pay 20 per cent as their share of the salaries of joint train, baggage, and express men.

The express companies do not guarantee to us a minimum and there is no agreement that they will not charge less than 150 per cent of first-class freight.

The average number of passengers carried over the road during the year ending June 30, 1910, was 27 passengers per car, which service, at 3 cents per mile, brings 81 cents per car-mile.

The Government mail on car in same number of trains (eight), moving 26 miles a day, paid 4.2 cents per car-mile of 19½ feet.

The transportation of the two messengers employed to distribute the mail, traveling as they do 37,480 miles a year, at 3 cents per mile, the current legal rate of fare, would aggregate for the year $2,248.80, and the mail earnings are $1,496.24 net.

Mail route 129061—CARROLLTON & WORTHVILLE RAILROAD, between Carrollton, Ky., and Worthville, Ky., 10 miles, 14 round trips per week. The service is performed in a mail apartment car 14 feet 7 inches by 7 feet 9 inches, altogether an equivalent of 98.44 square feet, carrying postal clerk. This car space is hauled 27,120 miles a year.

| | | |
|---|---|---|
| The gross annual compensation received is | | $453.84 |
| The mail delivery at Carrollton costs | | 300.00 |
| Leaving the road per year for the entire service | | 153.84 |

When this contract was taken five years ago the Government paid one carrier $300 and one $450 a year, a total of $750. This without Sunday mail or prompt service as is now furnished.

Mail route 110205—CENTRAL RAILROAD CO. OF PENNSYLVANIA, between Bellefonte and Mill Hall, Pa., 26.13 miles. There are 6 round trips with messenger service in a 15-foot mail compartment car and 15 round trips with closed pouch service. The daily average weight of mail is 173 pounds.

| | | |
|---|---|---|
| The annual compensation is, gross | | $1,198.28 |
| The mail messenger service at terminals and side stations, costs as follows: | | |
| Bellefonte | $108.00 | |
| Hublesburg | 39.00 | |
| Clintondale | 42.00 | |
| Mill Hall | 108.00 | |
| | | 297.00 |
| Leaving the amount received for the service | | 901.28 |

The annual mileage of mail apartment cars is 34,430. Of the car-foot miles on passenger trains, 13,665 car-foot miles per day are devoted to passengers, 2,496 car-foot miles to express and baggage, and 1,650 car-foot miles to mail. Of the entire car space 81 per cent is used for passengers, 6 per cent for baggage, 5 per cent for express, and 8 per cent for mail.

Of each 1,000 feet of space in passenger trains, passengers earn 3.47; express 2.24, and mail 1.74.

The express company performing the express service is the American. The total cash receipts from express is $700. They pay as their proportion of the salaries of the

joint train baggage and expressmen $600 per year; they also pay the station agents for their services $232.04 per year and perform work for the railroad amounting to $200 a year, making a total of $1,732.04 from express against $901.28 for the mail.

The express company does not guarantee a minimum rate, nor agree to charge 150 per cent in excess of first-class freight.

The road earns, per car mile, for passengers, 14.24 cents. Its earnings from mail, per car mile for the apartment car (15 feet), is 2.62 cents, or about the fare of the Government clerk in charge of the mails.

Mail route 110144—COUDERSPORT & PORT ALLEGANY RAILROAD, between Port Allegany and Ulysses, Pa., 39 miles; 12 round trips weekly with a daily average of 534 pounds of mail.

The mail service is performed in a 12-foot mail apartment car, also pouch mail on four trains each week day; two trains Sunday between Port Allegany and Coudersport. The average number of mail sacks handled per day is 22, weighing 398 pounds. The pouch service on this road, if charged at the express company's rate, would yield $1,491.25.

| | | | |
|---|---|---|---|
| The total compensation received for apartment car space and pouch mail service is | | | $2,556.31 |
| The mail messenger service at terminals on the route costs: | | | |
| Port Allegany | $180.00 | | |
| Ulysses | 162.00 | | |
| | | $342.00 | |
| Side deliveries: | | | |
| Burtville | 60.00 | | |
| New Field Junction | 120.00 | | |
| Mina | 100.00 | | |
| | | 280.00 | |
| | | | 622.00 |
| This leaves the road net, for the entire service | | | 1,934.31 |

Of all the passenger car space on this road, 119 feet are devoted to passengers, 14 feet to express, and 17 feet to mail. Of the entire passenger car space, 79⅓ per cent is devoted to passengers, 9⅓ per cent to express, and 11⅓ per cent to mail.

The American Express Co. operates over the line. The total cash receipts from the express company are $1,887.91. The express company also pays, as its share of the salaries of joint trainmen, $780. It also pays a percentage of the station agents' salaries ($960) for handling the express, and carries free local packages and remittances from the railroad.

The total value in money to the railroad company from the express company amounts to $3,629.91, compared with $1,934.31 received for carrying the mails, while the mails require 11⅓ per cent of the passenger train space compared with 9⅓ per cent devoted to express.

There is no minimum guarantee from the express company nor any agreement that they shall charge more than the first-class freight rates.

Applying to the total passenger expense the percentage of space in passenger trains devoted to the mails (11⅓ per cent) the cost of mail transportation on this road is $6,644.75, while the net earnings from mail were $1,934.31.

The transportation of the mail messenger for the distance he travels during the year (48,828 miles) at 3 cents a mile, the regular rate, if paid for, would net the road $1,468.84.

Mail route 165068—DENVER, LARAMIE & NORTHWESTERN RAILROAD CO., between Milliken and Greeley, Colo., 12.69 miles; daily average of mail 13 weekly round trips.

This service is performed in combination cars devoted to mail, passengers, express, and baggage.

| | | | |
|---|---|---|---|
| The total compensation received for carrying mail is | | | $542.59 |
| Mail messenger service at terminals on the route costs: | | | |
| Milliken | $96.00 | | |
| Greeley | 72.00 | | |
| | | | 168.00 |
| Which, when deducted from the amount received, leaves | | | 374.59 |

The Adams Express Co. operates over this line. The revenue yielded from the express service averages $1,680 per year. The express company also performs service for the railroad in transporting agents' remittances along the road. A separate service for this work on the part of the road would require a bonded messenger.

The revenue from the express company nets the road $1,680 per year against $374.49 received for mail transportation.

Mail routes—DULUTH, SOUTH SHORE & ATLANTIC RAILWAY, between the following points:

137072. Sault Ste Marie to Soo Junction, Mich., 47.15 miles, seven weekly round trips.

137051. St. Ignace to Houghton, Mich., 246.90 miles, seven weekly round trips.

137053. Humboldt to Republic, Mich., 8.55 miles, six weekly round trips.

139087. Nestoria to Duluth, Minn., 214.78 miles, seven weekly round trips.

Daily average weight on each route is as follows: 137072, 1,764 pounds; 137051, 4,377 pounds; 137053, 89 pounds; 139087, 1,015 pounds.

| | | | |
|---|---|---|---|
| Total annual compensation on all routes, gross | | | $65,545.31 |
| Mail messenger service at terminals on the route costs: | | | |
| Sault Ste. Marie | $300.00 | | |
| Marquette | 420.00 | | |
| Champion | 30.00 | | |
| | | $750.00 | |
| The total of side and terminal deliveries, as near as can be ascertained, based upon the proportion of time consumed by the employees of the road, amounts to per annum | | 5,609.28 | |
| | | | 6,359.28 |
| This leaves the road for mail service performed during the year | | | 59,186.03 |

The mail service is performed in apartment cars and by pouch service in baggage cars. The mail apartment space used in five mail apartment cars is 25 feet each, two cars 27 feet each.

The annual mileage of mail apartment cars on the road is 318,791.

In addition to providing and hauling these apartment cars, the road carries approximately 120 lock pouches and 150 tie sacks daily.

Of the entire passenger-car space 89.11 per cent is occupied by passengers, 4.70 per cent by express, and 6.19 per cent by mail.

The Western Express Co. operates over this line and pays in cash for the service $40,371.51, including rentals. It also pays, as its share of the salaries of joint train, baggage, and express men, $5,151.60 per annum, and pays for salaries of railroad station employees $6,952.29; for services rendered the railroad company, $4,290, making a total of $56,765.40 for express against $59,186.03 for carrying the mail.

The express occupies 4.70 per cent of the road's passenger space, and the mail occupies 6.19 per cent.

Based on percentage of space occupied in the cars, mail 6.19 per cent, express 4.70 per cent, the express pays much better than mail and is a much more attractive business proposition.

If the mail was paid for on the same space basis as we receive for express, we would be paid about $74,760 for mail instead of $59,186.

The total operating expense of the road for the year ending June 30, 1910, was $2,269,247.84; of this there is assignable to passenger traffic $442,214.19. The nonassignable passenger expense on a train-mileage basis amounts to $366,526.13.

Applying to the total passenger expense the percentage of space in passenger trains devoted to the mails and the same proportion including the interest and taxes, the estimated cost of carrying the mail is $81,040.75; we get $59,186.

If the mail passenger service over this road (314,096 miles) was paid for at the rate of 2 cents a mile, it would amount to $6,281.92.

Mail route 123047—FLORIDA RAILWAY, between Live Oak and Perry, Fla., 52 miles, seven round trips and six round trips on 22 miles of the route.

The mail is carried between Live Oak, Fla., and Perry, Fla., in an apartment car 17 feet long with a postal clerk in charge. On the 22-mile route, between Live Oak and Mayo, the service is pouch mail.

The average weight of the mail per day is 200 pounds.

| | | | |
|---|---|---|---|
| The compensation received for the service, gross | | | $2,195.64 |
| Deliveries at terminals cost, per year, as follows: | | | |
| Live Oak, Fla | $84.00 | | |
| Mayo | 84.00 | | |
| Perry | 84.00 | | |
| | | | 252.00 |
| Leaving the road, net, for the service performed | | | 1,943.6 |

Between Live Oak and Mayo, Fla., 22 miles, six round trips weekly, four pouches of mail is carried daily. The road would charge a private shipper 75 cents a pouch or $3 a day for this service, which requires delivery to and from the post offices.

The actual cost to us for lights for this apartment car and for heating the car, cleaning, water and ice, repairs, interest on cost of car and depreciation is 3 cents per mile and as the car runs 51,768 miles per year, such actual cost is $1,553.04; our actual pay is $1,943.64.

The road receives from the express company operating over its line $3,000 per year; the express also pays $360 per year as its share of joint train, baggage, and express men's salaries; also $110 per year for salaries of employees, etc., making a total of $3,470 per year for express, against $1,943.64 for carrying the mail.

There is no minimum guaranty given by the express company, nor is there any agreement as to the express charges to be made.

During the year the average load per car of first-class freight carried over the same route as the mail was 5,000 pounds. The rate for this class of freight is 43 cents per 100 pounds.

The actual earnings per car mile for this freight during the year was 33 cents per mile, while the mail apartment car earns only 5.11 cents per mile.

The Government oppresses the small roads in not paying for the apartment-car space used, also in requiring substantially free delivery of the mail.

This road believes that the mail should be received and delivered at the car door by the Government.

Mail route 153012—FORT SMITH & WESTERN RAILROAD, between Fort Smith, Ark., and Guthrie, Okla., 217 miles. The mail service is performed in an apartment car and with a pouch service. Fourteen weekly round trips, including pouch service.

The apartment service averages 244,550 miles annually; the pouch service 72,270 miles annually.

| | | |
|---|---|---|
| The total compensation received, gross | | $15,940.07 |
| The mail-messenger service costs: | | |
| Guthrie, Okla | $144.00 | |
| At other points | 1,008.00 | |
| | | 1,152.00 |
| Leaving the net amount received for the mail service | | 14,788.07 |

The cost per car mile of handling the mail is 6¼ cents, this being 7.5 per cent of cost of operating passenger trains. The mail takes up 7.5 per cent of passenger space of train.

Of the entire passenger-car space devoted to passengers, mail, express, and baggage, passengers occupy 83 per cent; mail, 7.5 per cent; express, 5.5 per cent; and baggage, 4 per cent.

The number of miles traveled by postal clerks over the road is 244,550 miles per year; at 2 cents per mile fare, this would amount to $4,890.

The American Express operates over this road and pays in cash $13,000 annually; $2,040 annually as its share of salaries of joint train baggage and express man; $3,600 per year for salaries of station agents; and $60 rental, making a total of $18,700 per year, against $14,788.07 received for carrying the mail.

The express company does not guarantee a minimum sum, nor have they any agreement with the railroad as to a rate of charge.

This road considers that the Government discriminates against railroads in arbitrarily fixing the compensation for carrying the mail at less than total cost of operation, taxes, and a fair return for the capital invested.

The actual cost of carrying the mails of this road, based on the percentage of space occupied, is 6¼ cents per car mile.

The miles performed in apartment-car service only were 244,550, and at the estimated cost of 6¼ cents per car mile, this would amount to $15,284, besides a large amount of pouch service in addition.

Mail route 120020—GEORGETOWN & WESTERN RAILROAD, between Lanes and Georgetown, S. C., 36 miles, six weekly round trips in one apartment car with a mail messenger; one round trip of closed-pouch service on Sunday.

The average weight of mail handled for which pay is allowed is 595 pounds.

| | | |
|---|---|---|
| The total compensation received, gross | | $2,473.99 |
| Deliveries at terminals and side stations cost as follows: | | |
| Georgetown | $300.00 | |
| Rosemary | 96.00 | |
| Lanes | 96.00 | |
| Taft | 60.00 | |
| Trio | 60.00 | |
| Employees' extra time | 318.00 | |
| | | 930.00 |
| Leaving the road, net | | 1,543.99 |

The employees' extra time in handling the mail is based upon the percentage of time actually given to the service.

The cost of fitting up the apartment space in the car for post-office purposes was $380, but this does not include any part of the cost of the car. The lighting heating, etc., costs, per year, $167.50.

The cost, per car mile, of handling the apartment car space is 6 cents per car mile. The annual mileage the car is hauled is 49,494 miles, and estimating the cost of hauling at 6 cents per mile the actual cost is $2,969.64; the pay, less messenger cost, is $1,543.99.

The number of miles, per year, traveled by postal clerks is 49,494. At a rate of 2 cents per mile, this would amount to $989.88.

The Southern Express operates on this road. There is no minimum guarantee nor any agreement in regard to their charges.

The express company paid the last fiscal year $2,303.70. They also paid four-fifths of the train baggageman's salary ($480) per year and a commission to station agent at Andrews, S. C., about $60 per year, making a total of $2,843.70 against $1,543.99 paid in carrying the mail.

The mail pays considerable less, as is shown, than the express, besides it is a preferred service and equals in cost of equipment and operation that provided by the trunk lines with absolutely no through hauls, but limited to such local mail as the territory traversed provides.

Mail route 120013, LANCASTER & CHESTER RAILROAD, between Lancaster and Chester, S. C., 29.58 miles, including terminals; six weekly round trips in two apartment cars 9 by 9 each, with mail messengers and six weekly round trips with closed pouches handled by train baggageman.

The average weight of mail handled is 245 pounds per day.

| | | |
|---|---|---|
| The total compensation received for the service is, gross | | $1,341.62 |
| Deliveries at terminal and side stations cost as follows: | | |
| Chester | $120.00 | |
| Richburg | 48.00 | |
| Fort Lawn | 48.00 | |
| Lancaster | 120.00 | |
| | | 336.00 |
| Leaving the road, for the mail service, net | | 1,005.62 |

At Lancaster the mail is delivered by an employee of the road and 10 per cent of his salary is charged ($120) to mail delivery. Cash for delivery is paid at the other points.

There are from four to five closed pouches taken out of Chester and four out of Lancaster, also one out of Fort Lawn and one into Fort Lawn on two trains a day. A minimum charge for this service would be $1 per train or $626 per annum.

Of the three classes of traffic, mail occupies 9 linear feet, express 7½ linear feet, and passenger and baggage 77½ linear feet, a total of 94 feet.

The number of miles traveled by postal clerks is 18,154. The regular legal rate of fare is 3 cents per mile, which would make the cost of their transportation $544.62.

The Southern Express operates on this road. There is no minimum nor any agreement in regard to their charges.

The express company pays in cash $771.56. They also pay one-half of baggageman's salary and a commission to station agents, besides carrying railroad packages free, a service worth altogether $1,000 a year.

Applying to the total passenger expense of $13,065.69, its proportion of the total operating expenses of the road ($52.242.76), the percentage of space in passenger trains (one-tenth) devoted to mail costs $1,306.56, with no pay for pouch service.

The average number of passengers per car carried during the year was 13⅝ passengers. The actual earnings per car-mile from the passenger traffic was 41 cents. The mails earned 2¾ cents per car-mile of 9 feet. If that is treated as one-fifth of a car, the mail earnings are 13¾ cents per full car-mile, or less than one-third the actual passenger car-mile earnings of the same train.

Mail routes, LOUISIANA & ARKANSAS RAILWAY, are run as follows:

Route 149023, between Hope, Ark., and Minden, La., 78.26 miles, seven round trips weekly, Minden, La., to Alexandria, La., 116.87 miles, seven round trips weekly.

Route 149045, between Packton, La., and Jena, La., 29.07 miles, seven trips per week.

Route 149073, between Minden, La., and Shreveport, La., 30.78 miles, seven round trips per week.

Daily average weight of mail carried on the three routes is 522 pounds.

The mail service is performed in two apartment cars with postal clerks, the car space used in each being 18 feet; also a pouch service on other trains.

| | | |
|---|---|---|
| The total compensation received for the mail service is, gross | | $15,621.22 |
| The messenger service for mail delivery is as follows: | | |
| | Per year. | |
| Hope, Ark. | $120 | |
| Minden, La. | 96 | |
| Alberta, La. | 60 | |
| Alexandria, La. | 240 | |
| | 516 | |
| The proportion of the time consumed by railroad employees in delivering mail at other points along the routes is estimated at $132.25 per month, or, per year | 1,587 | |
| | | 2,103.00 |
| This leaves the net amount received for carrying the mail | | 13,518.22 |

The value of the mail-apartment car space, compared with the total value of the car, is about $1,600 each. The cost, however, of fitting up the space for post-office purposes is $350 each.

The annual cost of heating, icing, lighting, and cleaning the mail-apartment space, based on its proportion of the entire car expense, is $155.

The road carries over its three routes 61 pouches daily. To handle these pouches at the express rate would cost $5,565.25 a year.

The Southern Express performs the express service over the road and for the year ending June 30, 1910, paid in cash $12,159.29. It also paid seven-eighths of the salaries of joint train, baggage, and express men employed by the road, except in the case of one man to whom they paid one-half of his salary. To the railroad station agents they paid $2,472.

The service rendered in handling railroad supplies has never been computed on a cash basis. It, however, is a valuable service, if for no other reason than that of enabling the road to have its baggage handled at a nominal expense. Leaving the money consideration for the work performed by baggagemen entirely out of the question, the amount received from the express company, $14,631.29, exceeds by $1,113.07 the amount paid by the Government for railway-mail transportation, although the mail occupied 143.6 feet of space on passenger trains while express only occupied 121.4 feet, and the value of the express service is much less than that was performed for the Government in carrying the mails.

Of the entire passenger-car space, 1,033 linear feet is devoted to pasengers, 121.4 linear feet to express, and 143.6 linear feet to the mail.

The miles traveled by postal clerks (141,875), if paid for at the rate of 2 cents per mile, would net the road $2,837.50.

Mail route 113024–110126, MARYLAND & PENNSYLVANIA RAILROAD.

Route 113024, between York, Pa., and Baltimore, Md., 77.1 miles, 12 round trips weekly; daily average weight of mail, 818 pounds.

Route 110126, between Dallastown Junction, Pa., and Dallastown, Pa., 0.8 mile, 12 round trips weekly; daily average weight of mail, 200 pounds. Mail-apartment car service, two, with postal clerks and pouch service as well.

| | | |
|---|---|---|
| The total annual compensation for carrying the mail on all routes is, gross | | $5,974.73 |
| The mail-messenger service for delivering mail costs in cash, as follows: | | |
| Towson, Md. | $100.00 | |
| Woodbine, Pa. | 120.00 | |
| Bridgeton, Pa. | 60.00 | |
| | 280.00 | |

The side deliveries are made by railroad employees and the road charges one-tenth of the salaries paid for their services, as follows:

| | | |
|---|---|---|
| Loch Raven, Md | $54.00 | |
| Glenarm, Md | 48.00 | |
| Baldwin, Md | 42.00 | |
| Fallston, Md | 60.00 | |
| Felton, Pa | 54.00 | |
| Yoe, Pa | 54.00 | |
| Dallastown, Pa | 54.00 | |
| Red Lion, Pa | 72.00 | |
| | | $718.00 |
| Leaving the net compensation for carrying the mail | | 5,256.73 |

The two apartment cars provided for the mail are each 15 feet by 9 feet. The cost of fitting up these cars as post offices was $170.76 each. The proportionate cost of the car is not included in this.

The cost annually for lighting, heating, icing, and cleaning each car is $74.88.

Thirty-one pouches of mail are carried daily over the two routes. Of these 21 pouches would cost a private shipper 25 cents each. Ten would cost 7½ cents each, a total of $6 per day, or $1,800 per year.

The number of miles traveled by postal clerks in the apartment postal cars run over the route is 93,600, at 2 cents per mile; this would amount to $1,872.

The Adams Express Co. operates over the line. They paid in cash for the year ending June 30, 1910, $7,868.07; they also paid, as their share of salaries of joint train baggage and expressman $120 per year and 10 per cent commission to station agents on business handled by them.

The service performed by the express company for the railroad amounts to $50 per month, or $600 per year, making a total of $8,588.07 value to us of express against $5,256.73 paid by the Government for mail transportation.

There is no minimum guarantee made by the express company nor any agreement as to charges.

A similar service to that of the express company is performed by the railroad in carrying milk in baggage cars on passenger trains.

This service paid to this road the year ending June 30, 1910, $40,622.74.

| | |
|---|---|
| Assignable expenses, passenger traffic | $71,654.69 |
| 55 per cent of nonassignable expense $64,383.53, total $136,038.22, or $19\frac{6}{10}$ cents per passenger car mile. The apartment car space, which is one-third of the car space, costs $0.06\frac{6}{10}$ cent per car mile on apartment car mileage, 93,600 by $0.06\frac{6}{10}$ | 6,177.60 |
| Compared with net amount received for carrying the mail | 5,256.73 |

(The cost per car mile is based on dividing nonassignable expense of operating on car mile basis, which is the basis most favorable to the Post Office Department.)

The total linear feet of passenger trains is 1,530. This is divided as follows: 1,212 feet, passengers; 250, baggage, express, and milk; 68 feet, mails, making mail revenue per foot $77.60 against express and milk $193.96 per foot.

Mail routes—OKLAHOMA CENTRAL RAILWAY CO.:

Route 153047, between Lehigh and Chickasha, Okla., 129.92 miles, seven weekly round trips; average daily weight is 224 pounds.

Route 153048, between Ada and Frisco Crossing, Okla., 3.20 miles, seven weekly round trips; average daily weight is 80 pounds.

The service is performed in two apartment cars, but an extra car is maintained, at the road's expense, as a relief car to be used in case of emergency.

The space used for the mail in these cars is 15 feet each.

| | | | |
|---|---|---|---|
| The total compensation received is, gross | | | $5,913.04 |
| The mail messenger service costs: | | | |
| Lehigh, Okla | $120.00 | | |
| Chickasha, Okla | 180.00 | | |
| | | $300.00 | |
| At Vanoss one-eighth of employees' time is charged | 60.00 | | |
| At Stratford, one twenty-fifth | 28.80 | | |
| At Washington, one-tenth | 72.00 | | |
| | | 160.80 | |
| | | | 460.80 |
| Leaving the net amount received | | | 5,452.24 |

The annual mileage of mail apartment cars is 109,264.

The proportion of passenger car space devoted to passengers, express, and mail is as follows:

Passengers 77.5 per cent, express 6.3 per cent, baggage 6.3 per cent, mail 9.9 per cent.

The number of miles traveled by postal clerks is 94,900 yer year. At 2 cents per mile this would be $1,998.

The American Express operates over the line and paid for the service, in the last fiscal year, $3,286.55 in cash; $720 in salaries to joint baggage and expressmen; $1,114.23 for station agents' salaries, and performed work for the railroad amounting to $1,000, making a total of $6,120.78 from the express service against $5,452.24 for carrying the mail.

The express company makes no minimum guaranty, but agrees not to charge less than 150 per cent of first-class freight.

For the past year the average number of passengers carried per car was 10. The actual earnings per car mile for carrying passengers was 29 cents.

The earnings per car mile for apartment car space was 5 cents.

Mail route 120034—PICKENS RAILROAD, between Pickens and Easley, S. C., 9.3 miles, closed pouch service, three round trips six days a week, with a daily average weight of mail of 208 pounds.

| | | |
|---|---|---|
| The total mail compensation received, gross | | $412.96 |
| The mail messenger service at terminals cost as follows: | | |
| Easley | $75.00 | |
| Pickens | 95.00 | |
| | | 170.00 |
| Leaving the net amount received | | 242.96 |

This road handles a minimum of 15 pouches of mail daily, except Sunday. This service is worth at a fair valuation $3 per day or $930 per year.

The mail is handled in a combination car devoted to passengers, baggage, express, and mail. Of this space 47 feet is devoted to passengers and baggage, 3 feet to mail, and 3 feet to express.

The railroad operates its own express and derives from the service $441.78 net against $242.96 for the mail. Both occupy the same amount of space.

One passenger in the space occupied by the mail, paying the regular fare of 30 cents for the trip, would net the road in a year $540.

The road's contract with the Post Office Department calls for the delivery of the mail to Pickens and Easley once a day, or on only one route. The demands of the town require the mail three times a day. The result is that the mails are delivered three times a day.

Mail routes—THE PITTSBURG, SHAWMUT & NORTHERN RAILROAD:

Route 107038, between Wayland and Moraine, N. Y., 11.98 miles, 18 weekly round trips pouch service, weight of mail 200 pounds.

Route 107139, between Hornell and Olean, N. Y., 76.40 miles, weight of mail 282 pounds per day; 6 weekly round trips over 66.27 miles and 18 weekly round trips over 10.13 miles pouch service. Six weekly round trips over 76.40 miles with a mail compartment car and postal clerk.

Route 110282, between St. Marys and Shawmut, Pa., 25.43 miles, weight of mail 333 pounds per day, 6 weekly round trips pouch service, and six weekly round trips compartment car with postal clerk.

Route 110204, between Brockport and Ramsaytown, Pa., 31.88 miles; weight of mail 200 pounds per day, six weekly round trips pouch service, and six weekly round trips compartment car with postal clerk.

Route 110290, between Norman and Conifer, Pa., 4.23 miles; weight of mail per day 38 pounds, six weekly round trips pouch service, six weekly round trips compartment car.

Route 110238, between Paine and Force, Pa., 10.87 miles; weight of mail per day 51 pounds. Twelve weekly round trips, pouch service.

Route 110221, between Carmen and Hallton, Pa., 10.89 miles; weight of mail per day 120 pounds.

| | | |
|---|---|---|
| The annual compensation received for carrying the mail over all routes is, gross | | $8,144.40 |
| The mail messenger service costs as follows: | Per year. | |
| Wayland, N. Y | $120.00 | |
| Hornell, N. Y | 168.00 | |
| Olean, N. Y | 120.00 | |
| Garwoods, N. Y | 120.00 | |
| St. Marys, Pa | 240.00 | |
| Bolivar, N. Y | 96.00 | |
| | | 864.00 |
| Leaving the road for the mail service, net | | 7,280.40 |

The car space occupied by the mail in each apartment car is 15 feet. One additional car is provided for an emergency. The average cost of fitting up the cars for post-office purposes with metal is $773.51 each. This does not include the proportionate cost of the full car.

The annual cost for lighting, icing, heating, and cleaning each car for the space used is $97.32. This estimate is based on the average cost per car of the service for all passenger cars, $317.92 per year.

Fifty-eight pouches of mail are handled daily on 152 miles of pouch train service, making a total of 18,154 pouches per year. At 25 cents per pouch, the minimum package freight rate, this would earn $4,538.50 per year. The number of miles traveled by postal clerks during the year was 87,640. At 2 cents per mile the value of the service would be $1,752.80.

The United States and the Adams Express Companies perform the express business over the line.

The cash compensation for the service is $5,214. In addition to this, the express companies pay in salaries of joint train, baggage, and express men $2,013.38. They also pay in salaries to station agents $1,800 and render service to the railroad valued at $350 per year, making the total amount derived from express $9,377.38, against $7,280.40 received for carrying the mail.

The minimum rate guaranteed by the express company is $5,000. There is an agreement not to charge less than 150 per cent of the first-class freight rate.

Mail route 150137—ROSCOE, SNYDER & PACIFIC RY., between Roscoe and Fluvanna, Tex., 49.76 miles, seven round trips weekly, all pouch mail. Daily weight of mail, 359 pounds.

| | | |
|---|---|---|
| The total compensation received for the mail service is, gross | | $2,680.07 |
| The cost of mail delivery is as follows: | Per year. | |
| Roscoe, Tex | $54.75 | |
| Hermleigh, Tex | 96.00 | |
| Fluvanna, Tex | 96.00 | |
| | | 246.75 |
| Leaving, for the mail service, net | | 2,433.32 |

The amount charged against mail delivery at the above points is one-tenth of the wages of the railroad employees doing the work; they are paid $1.50 a day. The road charges out of this at the rate of 15 cents per day to mail delivery.

The Pacific Express operates over this line and pays in cash $2,300 per year; they also pay $360 per year to joint train, baggage, and express men, and in salaries to station employees $900 per year, making a total of $3,560 received for the express service, against $2,433.32 for mail.

There is no agreement with the express company in regard to a minimum rate nor any agreement as to the charge to be made by them.

Mail routes—SUSQUEHANNA & NEW YORK RAILROAD, between the following points:

110069, between Towanda and West Williamsport, Pa., 65.08 miles; 13 round trips weekly, 179 pounds.

110201, between Grays Run and Ralston, 6 round trips of 5.14 miles and 6 of 24.76 miles weekly, pouch service, 21 pounds.

| | |
|---|---|
| The annual compensation received on all routes is, gross | $2,381.60 |

The mail messenger delivery service is performed by employees of the railroad. The proportion of the employees' time occupied is computed against the service as follows:

| | Per year. | |
|---|---|---|
| Towanda | $190.00 | |
| Grays Run | 10.00 | |
| Powell | 60.00 | |
| Laquin | 30.00 | |
| Wheelerville | 40.00 | |
| Ellenton | 40.00 | |
| Ralston | 50.00 | |
| Masten | 10.00 | |
| | | $430.00 |
| Leaving the road for the mail service, net | | 1,951.60 |

The closed-pouch service is performed on passenger trains and on mixed trains.

Hauling combination passenger, mail, baggage, and express car costs, including lighting, heating, repairs, and interest on cost of passenger equipment, 17.2 cents per car-mile. Closed pouches are carried in baggage cars and average 60 pouches a day.

The road would charge a shipper 20 cents a pouch, about 5 cents less than the express rate. This would amount to $3,756 per year, for which the road receives from the Government $1,951.60.

The express service is performed by the Adams Express Co. They pay in cash $1,230 per year; $60 in salaries to baggage and express men, 840 for salaries to station agents. The total express compensation is $2,430, against $1,951.60 for mail.

The mail service costs more than the express because it is a preferred service and requires delivery at post offices; also because there are penalties attaching for interruption of service.

Mail route 107153—UNADILLA VALLEY RAILWAY, between New Berlin, N. Y., and Bridgewater, N. Y., 20 miles, 12 weekly round trips, closed-pouch service.

| | | |
|---|---|---|
| The total compensation received, gross | | $982.00 |
| Deliveries at stations cost, per year, as follows: | | |
| New Berlin | $96.00 | |
| Leonardsville | 36.00 | |
| Bridgewater | 36.00 | |
| West Edmeston | 36.00 | |
| | | 204.00 |
| Total net amount received for carrying the mails | | 778.00 |

This company carries 20 sacks of mail daily.

The United States Express operates on this line.

There is no minimum guaranty nor any agreement in regard to their charges.

The express company pays $2,500 per year for the service; it also pays $120 per year as its proportion of the salary of baggage and express man. The free service given the railroad amounts to about $100 a year, making a total of $2,720 a year for the express against $778 for the mail transportation.

The cash remuneration received from the express company is nearly four times greater than that received from the Government for carrying the mails.

The mail service is much more exacting and expensive than the express and carries with it greater responsibility for prompt and efficient service.

The exaction, on the part of the Government, to deliver the mail at terminals and side stations is most unfair to short-line roads.

No short line carrying the mail at the minimum rates from $42.75 to $50 per mile per year can, under any circumstance, no matter how favorable the conditions, afford to deliver the mail at terminal offices at the present rate.

Mail route 135114—WABASH, CHESTER & WESTERN RAILROAD, between Mount Vernon, Ill., and Menard, Ill., 64.83 miles; apartment car with postal clerk and pouch service as well. Six round trips weekly of apartment car service.

| | |
|---|---|
| Total mail compensation received, gross | $3,768.63 |

Mail messenger service, two to four round trips per day, between depot and post offices; services performed by railroad employees, the proportion of time charged, and the value of the service is based on the salaries paid the employees, as follows:

| | | |
|---|---|---|
| Waltonville, one-eighteenth | $32.00 | |
| Scheller, one-twentieth | 18.00 | |
| Tamaroa, one-eighteenth | 36.00 | |
| Cutler, one-tenth | 30.00 | |
| Percy, one-tenth | 42.00 | |
| Welge, one-twentieth | 6.00 | |
| Menard, one-twentieth | 30.00 | |
| Mount Vernon special service, $15 per month | 180.00 | |
| | | $374.00 |
| Net amount received for mail service | | 3,394.63 |

For the 16 closed pouches carried daily on trains 1 and 4 the express charge would be 25 cents per pouch or $4 per day for 313 days, or $1,252.

The number of miles traveled per year by postal clerk is 40,583.58 miles; this at 2 cents per mile would amount to $811.67.

The proportion of car space in passenger trains devoted to passengers is 69.47 per cent, baggage 8.42 per cent, express 8.41 per cent, and mail 13.70 per cent.

The express service is performed by the American Express Co., and they paid in cash $3,354.11 for the year ending June 30, 1910. They also paid $2,000 per year for services of railroad employees, and the value of the service performed by them for the railroad is $96 per year, making a total of $5,450.11 for express against $3,394.63 for mail.

The express company guarantees a minimum of $125 per month; it also agrees not to charge less than 150 per cent of the first-class freight rate on local business.

Applying to the total passenger expense the percentage of space in passenger trains devoted to the mails, the cost of carrying the mails is $6,969.46.

*Mail earnings compared with express.*

| Roads. | Mail earnings. | Cost of messenger deliveries. | Express earnings. |
|---|---|---|---|
| Bellefonte Central | $1,166.66 | $370.00 | $2,500.00 |
| Buffalo, Rochester & Pittsburgh | 50,320.21 | 2,383.00 | 72,365.00 |
| Butte, Anaconda & Pacific | 3,187.28 | 1,691.04 | 7,702.58 |
| Central R. R. Co. of Pennsylvania | 1,198.30 | 297.00 | 1,732.04 |
| Coudersport & Port Allegany | 2,556.31 | 622.00 | 3,629.91 |
| Denver, Laramie & Northwestern | 542.59 | 168.00 | 1,680.00 |
| Duluth, South Shore & Northwestern | 65,545.31 | 6,359.28 | 56,765.40 |
| Florida Railway | 2,195.64 | 252.00 | 3,470.00 |
| Fort Smith & Western | 15,940.07 | 1,152.00 | 18,700.00 |
| Georgetown & Western | 2,473.99 | 930.00 | 2,843.70 |
| Lancaster & Chester | 1,340.27 | 336.00 | 1,771.56 |
| Louisiana & Arkansas | 15,621.22 | 2,103.00 | 14,631.29 |
| Maryland & Pennsylvania | 5,972.07 | 718.00 | 8,588.07 |
| Oklahoma Central | 5,913.04 | 460.80 | 6,120.78 |
| Pickens | 412.96 | 170.00 | 441.78 |
| Pittsburg, Shawmut & Northern | 8,144.40 | 864.00 | 9,377.38 |
| Roscoe, Snyder & Pacific | 2,680.07 | 246.75 | 3,560.00 |
| Susquehanna & New York | 2,575.51 | 430.00 | 2,430.00 |
| Unadilla Valley | 982.00 | 204.00 | 2,720.00 |
| Wabash, Chester & Western | 3,768.63 | 374.00 | 5,450.11 |
| Carrollton & Worthville | 453.84 | 300.00 | ..... |
| Total | 192,990.37 | 20,430.87 | 226,479.60 |

Express earnings were $53,920.10 in excess of mail earnings.

## MAIL EARNINGS AND EXPENSES.

*Statement of 22 representative short-line railroad companies, showing mail earnings and expenses for month of November, 1909.*

[Grouped according to Interstate Commerce regulation.]

| Roads. | Group. | Number of routes. | Miles operated. | Foot-mileage. | | Earnings. | | Earnings per 1,000 foot-miles. | | Expenses. | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Excluding interest. | | Including interest. | |
| | | | | Mail. | Passenger, mail, and express. | Mail. | Passenger, mail, and express. | Mail. | Passenger, mail, and express. | Mail. | Passenger, mail, and express. | Mail. | Passenger, mail, and express. |
| Somerset Railway | 1 | 2 | 92.80 | 136,435 | 1,062,452 | $474.29 | $9,110.00 | $3.47 | $8.57 | $1,109.85 | $8,643.68 | $1,896.35 | $14,769.11 |
| Vermont Valley | 1 | 1 | 49.34 | 619,967 | 4,630,276 | 1,324.44 | 21,291.91 | 2.14 | 4.60 | 2,129.76 | 15,905.58 | 2,386.37 | 17,822.02 |
| Lehigh & Hudson River | 2 | 1 | 63.24 | 50,032 | 1,048,128 | 270.35 | 4,524.94 | 5.40 | 4.32 | 537.94 | 10,737.25 | 642.66 | 12,827.63 |
| Huntington & Broad Top | 2 | 2 | 49.56 | 105,582 | 1,048,449 | 406.31 | 8,991.36 | 3.85 | 8.57 | 832.72 | 8,269.34 | 1,098.94 | 10,908.09 |
| New York, Ontario & Western | 2 | 9 | 558.76 | 1,087,251 | 21,095,371 | 4,819.31 | 103,571.40 | 4.43 | 4.91 | 5,119.10 | 99,399.95 | 6,344.17 | 123,187.84 |
| Waynesburg & Washington | 3 | 1 | 28.73 | 85,074 | 812,805 | 251.77 | 6,634.09 | 2.96 | 8.16 | 399.49 | 3,815.58 | 399.49 | 3,815.58 |
| Lake Erie, Alliance & Western | 3 | 2 | 87.77 | 135,227 | 931,751 | 390.37 | 4,572.59 | 2.89 | 4.91 | 1,345.27 | 9,271.32 | 1,345.27 | 9,271.32 |
| Coal & Coke | 4 | 3 | 188.83 | 237,308 | 3,026,592 | 1,070.74 | 13,809.56 | 4.51 | 4.56 | 2,159.16 | 27,540.32 | 2,159.16 | 27,540.32 |
| Carolina & North Western | 4 | 1 | 110.88 | 132,000 | 1,523,600 | 700.07 | 8,356.70 | 5.30 | 5.48 | 776.96 | 8,971.88 | 1,041.47 | 12,026.17 |
| Charleston & Western Carolina | 4 | 4 | 340.75 | 711,163 | 5,663,304 | 1,910.33 | 33,237.96 | 2.69 | 5.87 | 5,267.81 | 41,941.14 | 6,095.91 | 48,534.32 |
| Mississippi Central | 5 | 2 | 149.51 | 360,000 | 3,564,000 | 581.78 | 18,320.51 | 1.62 | 5.14 | 2,802.91 | 27,751.62 | 3,891.80 | 38,532.70 |
| Mobile, Jackson & Kansas City | 5 | 3 | 396.61 | 733,292 | 6,724,128 | 2,495.16 | 32,352.19 | 3.40 | 4.81 | 3,532.56 | 32,379.06 | 5,336.53 | 48,914.11 |
| Quincy, Omaha & Kansas City | 6 | 1 | 250.00 | 529,400 | 3,091,472 | 2,220.40 | 25,593.10 | 4.19 | 8.25 | 3,938.39 | 23,004.59 | 241.28 | 23,044.59 |
| Farmers' Grain & S. Co | 6 | 1 | 66.02 | 68,000 | 408,000 | 277.50 | 2,569.08 | 4.80 | 6.27 | 241.28 | 1,447.37 | 3,938.39 | 1,447.37 |
| Denver, Northwestern & Pacific | 7 | 2 | 114.13 | 256,956 | 2,312,604 | 830.38 | 15,812.39 | 3.23 | 6.84 | 2,472.43 | 22,253.86 | 4,148.64 | 37,341.47 |
| Fort Smith & Western | 8 | 1 | 217.48 | 304,470 | 4,002,150 | 1,162.62 | 22,052.11 | 3.82 | 5.51 | 1,341.60 | 17,629.43 | 1,771.48 | 23,278.26 |
| Arkansas, Louisiana & Gulf | 8 | 2 | 61.00 | 79,332 | 991,041 | 125.17 | 3,727.04 | 1.57 | 3.76 | 792.07 | 9,900.92 | 792.07 | 9,900.92 |
| Arkansas & Louisiana | 8 | 1 | 25.66 | 45,409 | 269,617 | 171.85 | 2,044.36 | 3.78 | 7.58 | 386.79 | 2,296.85 | 386.79 | 2,296.85 |
| Wichita Valley | 9 | 3 | 94.98 | 529,465 | 4,514,300 | 728.06 | 28,844.43 | 1.38 | 6.39 | 1,661.68 | 14,166.07 | 2,313.52 | 19,723.10 |
| Arkansas Western | 9 | 1 | 32.69 | 27,402 | 260,277 | 132.87 | 1,954.97 | 4.85 | 7.51 | 545.07 | 5,176.32 | 545.07 | 5,176.32 |
| Tacoma Eastern | 10 | 3 | 63.93 | 72,186 | 966,930 | 259.69 | 8,667.26 | 3.60 | 8.96 | 640.27 | 8,571.22 | 756.96 | 10,133.40 |
| Phœnix & Eastern | 10 | 1 | 96.59 | 115,200 | 1,031,040 | 357.83 | 9,007.36 | 3.11 | 8.74 | 1,038.19 | 9,294.49 | 1,073.97 | 9,614.78 |
| Total | | 47 | 3,139.26 | 6,421,151 | 68,978,287 | 20,961.29 | 383,045.31 | 3.26 | 5.58 | 39,072.30 | 408,367.84 | 48,606.29 | 510,066.27 |

CONDENSED SHOWING OF FOREGOING 22 ROADS.

*Statement of railway-mail pay earnings and expenses of 22 representative short-line railroads, covering 47 mail routes, aggregating 3,139.26 miles, during the month of November, 1909, with percentage and ratio, as compared with passenger and express business.*

| | Mail. | Passenger and express. | Total. |
|---|---|---|---|
| Foot-miles | 6,421,151 | 62,557,136 | 68,978,287 |
| Percentage of foot-miles | 9.31 | 90.69 | 100.00 |
| Cost, including taxes: | | | |
| Total | $39,072.30 | $369,303.79 | $408,367.84 |
| Per 1,000 foot-miles | $6.08 | $5.90 | $5.92 |
| Percentage | 9.56 | 90.44 | 100.00 |
| Cost, including interest and taxes: | | | |
| Total | $48,606.29 | $461,459.98 | $510,066.27 |
| Per 1,000 foot-miles | $7.57 | $7.37 | $7.39 |
| Percentage | 9.53 | 90.47 | 100.00 |
| Revenue: | | | |
| Total | $20,961.29 | $364,084.02 | $385,045.31 |
| Per 1,000-foot miles | $3.26 | $5.82 | $5.58 |
| Percentage | 5.44 | 94.56 | 100.00 |
| Ratio of foot-mile revenue | 100 | 179 | 171 |
| Ratio cost to revenue: | | | |
| Including taxes | 187 | 102 | 106 |
| Including taxes and interest | 232 | 127 | 132 |

## SIDE SERVICE ON ROCK ISLAND LINES.

(Cost of.)

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The following communication from Mr. John Sebastian, third vice president of the Rock Island lines, containing a statement of the cost incident to side service rendered the Government by his system, is submitted:

CHICAGO, *June 6, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee of Congress,*
*Senate Office Building, Washington, D. C.*

DEAR SIR: In reading over the testimony given at the hearings before your committee on the subject of railway-mail pay, I note inquiries by you of several of the railway representatives as to cost of side service, *i. e.*, what amount of "out-of-pocket expense" and approximate value of service rendered by our employees in handling mail to and from post offices. Therefore, in view of your apparent desire for such data, I submit figures for this company:

Our mileage is 8,024. The mail pay, including R. P. O., approximately $1,700,000. Total number of stations reporting, 937, the service being divided as follows:

| | |
|---|---|
| By Government messenger | 271 |
| By contractors (or special arrangement) | 110 |
| By railroad employees | 556 |

The amount of cash paid to the 110 contractors is $1,276 per month, or $15,312 per annum.

The value of the time of employees at 556 stations handling the mail to and from post offices, but not including time consumed in hanging pouches and watching until train passes, is $3,342.63 per month, or $40,111.56 per year, a total of $55,423.56, or 3.26 per cent of our mail revenue.

These figures are based on individual reports from each agent, showing number of trains exchanging mails, the number of pouches and sacks, and the actual time to make each trip, this computed at the salary drawn by the employees doing the work, and where report in this respect was doubtful, have taken the lowest rate paid at that station, so that I consider these figures as very conservative.

The question of night exchanges has been covered very fully, so I will not touch upon that, except to say that the conditions as outlined apply generally to our line.

Another item on which information was desired is that of amount of free transportation furnished post office officials, inspectors, and other employees other than postal clerks while on their regular trips or returning from or to their work. A careful check, by actual count, covering 30 days from March 24 to April 24, 1913, shows the following:

| | |
|---|---|
| Number of passengers carried free | 14,952 |
| Value of such transportation | $31,448.76 |

Trusting the above may be of assistance to your committee in the consideration of the subject, I remain,

Very truly, yours, JNO. SEBASTIAN, *Third Vice President.*

WASHINGTON, D. C., *December 11, 1913.*

*To the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail.*

GENTLEMEN: At my request Mr. M. O. Lorenz, associate statistician of the Interstate Commerce Commission, then in the special employ of our joint committee, and Mr. R. H. Turner, secretary of the committee, have made during the summer and fall independent investigations of the subject of railway-mail pay and submitted their individual reports in review of the testimony and with recommendations.

In order that we may have before us for reference purposes their individual viewpoints on this phase of the inquiry which we have been instructed to investigate and report our conclusions to Congress, the summaries and suggestions of Mr. Lorenz and Mr. Turner are herewith submitted.

I further submit data from Bureaus of Fisheries, Standards, and Mines showing the rates charged by railroads for transportation of Government cars.

Respectfully, yours,

JONATHAN BOURNE, Jr.,
*Chairman.*

# REPORT ON RAILWAY-MAIL PAY.

M. O. Lorenz.

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Washington, D. C., *September 27, 1913.*

Hon. Jonathan Bourne, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, Washington, D. C.*

My Dear Sir: I hand you herewith a report embodying the results of my study of the subject of the compensation to railways for carrying the mails. I have attempted to present the leading ideas brought out in the testimony taken by your committee as well as to comment on them critically, and I have also endeavored to combine the various proposals into a practicable solution of the problem.

Respectfully,

M. O. Lorenz.

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## I. General Summary of Results.

After a brief description of the railway mail transportation service, the leading defects in the plan of the existing law relative to railway mail pay are presented. These defects are, chiefly, the failure to take account of the length of the haul and of the frequency of service, the inconsistency of paying for full railway post office but not for apartment cars, the confusion resulting from having two payments for hauling a loaded car instead of one payment, and the unjust distribution among the roads of the burden of side and terminal services.

Various plans and suggestions for amending or replacing the existing law are then passed in review. These plans generally contemplate the reference of certain questions to the Interstate Commerce Commission. This being the case, it may be asked whether any further discussion is necessary, the whole matter being disposed of by such reference to the Interstate Commerce Commission. But in reply it may be urged that if Congress states a prima facie reasonable schedule of rates the Interstate Commerce Commission will be in much better position to pass upon questions coming under the law for two reasons: (1) The complainant will have to make a clear case in order to change the rates prescribed. If he does not, the rates stand without that arbitrary determination by the commission necessarily involved in fixing rates in the first instance; (2) the actual experience and statistics developed under a new law would put the commission in a much better position to make a thorough determina-

tion of the matter. Two years more of debate of what might happen if the space basis were used will not be nearly so illuminating as an actual trial for the same length of time. The results of decades of debate on this subject seem to warrant a trial of the space basis, especially if the weighing of the mails is not entirely abandoned. An attempt has been made to show how this basis may be modified so as to overcome the objections to it, although such modification may not be necessary. An outline of a bill embodying the space basis with the weight modification is given on page 873 below.

After this conclusion as to the method of payment, the determination of the level of rates—that is, the total amount to be paid the railways for this service—is taken up. On the basis of the commercial principle, the conclusion is reached that 22½ cents per 60-foot mail car hauled 1 mile, with a separate payment for side and terminal services, would constitute a fair adjustment for the first year, being an increase over the present rate of pay, but still probably an underpayment, the exact determination of a fair rate being left to be decided after more complete experience and statistics have been gained. Exclusively closed-pouch routes are treated separately and a payment of 1 cent per pouch per mile is suggested.

## II. Description of the Mail Service for which Compensation is to be Determined.

It will be helpful to have before us, first of all, an outline of just what the Railway Mail Service means. The mail which leaves the post offices is almost all in the well-known blue and white striped sacks or pouches. The pouch is a sack containing first-class mail and closed by a leather strap and locked, whereas the "sacks" proper are simply closed with a clasp sliding on a string. A few parcels are of such size and shape that they can not be put in sacks. With the development of the parcel post these may become more prominent, and other containers, such as hampers, may be employed. These sacks, pouches, etc., may be brought from the post office to the train either by the employees of the post office or those of the railroad, depending on the local arrangements. In large cities the Government does this work. Arrived at the station, the mail may sometimes be put directly into the car by the postal employees, if the wagon can back up to the car, but probably the general rule would be that it is received by employees of the railroad and hauled on trucks to the cars in the train. If the train has only a closed-pouch service, we would see the pouches or sacks of mail given to the baggageman, by him to be dropped off at the proper station along the route; that is, there is no post-office representative in charge of this mail. But if the volume of mail is larger, the Post Office Department may have asked the railroad to provide, say, a 30-foot apartment—that is, a section of a baggage car fitted up with racks, pigeonholes, lighted, and heated, enabling a mail clerk to sort the mails en route, so that the mail destined for a particular city or even a particular carrier may be brought together. If the mail sacks will not all go into this apartment, the storage space being limited in order that the clerk may have room in which to work, a number of sacks or pouches may be piled into the baggage car. On a route with still more traffic an entire car, known as a railway post office car, will be fitted up as a distributing room in a post office with space in which a half-dozen or more mail clerks may

".work" the mails en route. The amount of mail placed in such a car may be less than a ton, and may be as much as 3 or possibly 6 tons. This seems a small load for a car, but the reasons why the load is so small is at once apparent from the fact that only a small portion of the floor space can be used for storing sacks of mail.

The force of clerks may be so large that they distribute more mail before the end of the run than can be piled into the car at the start. If the surplus mail will not go into the baggage car the railroad company must furnish a storage car, which is a car like a baggage car, but with vertical poles at intervals so that the various piles of sacks may be kept separate. When there is a sudden rush of mail and no regular storage car is available, an ordinary baggage car or even a horse car may be supplied.

The work of unloading and loading the mail at many stations is done by railroad employees who have this merely as an incidental duty, but at the larger stations a special force of porters must be supplied by the railroad company. If a junction point is reached and the mail must be delivered to another road so it may continue its journey, the work of transferring it is also done by railroad employees.

No attempt will be made to describe the service in all its details. The mail cranes erected along the road so that pouches may be taken on the train without stopping may be mentioned. Emphasis was also laid by railroad representatives on the fact that mail cars frequently had to be placed at the disposal of the department hours before the departure of the trains. A useful description of the service rendered by the railroads was furnished by Mr. V. J. Bradley and is printed in the hearings on page 624. The relative importance of the railway post office cars, apartment, storage, and closed pouch services as measured by the space occupied on trains, in November, 1909, is shown by the following table. The term "deadhead" space in this table means the unused space for which the Post Office Department considered itself responsible, and the "dead" space is the unused space for which it did not think it ought to pay, being largely storage cars returning empty.

TABLE 1.—*Relative importance of full railway post office, apartment, and storage cars, closed pouch service, and total mail service.*

[From Table 5J, House Document 105, Sixty-second Congress, first session.]

| Class of service. | Car-foot mileage. | Per cent of total mail including dead-head space. | Per cent of total passenger train space. |
|---|---|---|---|
| Railway post office space | 431,210,671 | 46.249 | ..... |
| Storage space | 94,420,509 | 10.127 | ..... |
| Apartment car | 364,370,260 | 39.080 | ..... |
| Closed pouch | 26,299,260 | 2.821 | ..... |
| Dead-head space | 16,070,585 | 1.723 | ..... |
| Total | 932,371,285 | 100.000 | 7.179 |
| Dead space | 211,413,013 | ..... | 1.628 |
| Mail, including dead space | ..... | ..... | 8.807 |
| Passenger | 10,464,699 451 | ..... | 80.573 |
| Express | 1,379,396,873 | ..... | 10.620 |
| Grand total | 12,987,880,622 | ..... | 100.000 |

## III. The Present Law.

In transporting mail with the aid of railroads the Post Office Department has divided the roads into about 3,400 mail routes, and a separate amount is computed to cover the railroad service on each and every one of these routes. Primarily the pay is based on the ton-miles of mail matter; that is, the weight of the mail and the distance it is carried. But the rate per ton-mile is not the same on every route. Where there is a large volume of mail going over the road each day the pay per ton-mile is less than when the volume of mail is small. Thus, if less than 211 pounds goes over the route each day the railroads get over $1.11 a ton-mile, while if the average daily weight of mail is, say, 50,000 pounds a day, the rate is reduced to approximately 7 cents a ton-mile, the lowest possible rate being about 5.4 cents. (Hearings, pp. 103–104.) The law does not use these terms. It gives the amounts to be paid per mile of route as the average daily weight carried over the route varies, but this is equivalent to the explanation just given. The law also gives an additional payment for full cars fitted up as post offices, but not for apartments.

The following table, compiled under the direction of Mr. C. H. McBride, Division of Railway Adjustments, in the Post Office Department, gives a general survey of the working of the present law:

Table 2.—*Railway mail pay and ton-mileage by classes of routes, Apr. 30, 1913.*

| Class of routes according to average daily weight carried. | Number of routes. | Length of routes. | Per cent. | Transportation pay per annum (weight basis). | Per cent. | Railway post office car service pay per annum (space basis). | Per cent. |
|---|---|---|---|---|---|---|---|
| | | *Miles.* | | | | | |
| 211 pounds or less | 1,152 | 25,934.75 | 11.36 | $1,069,548.49 | 2.28 | ..... | ..... |
| 212 to 519 pounds | 754 | 28,699.66 | 12.58 | 1,525,429.02 | 3.25 | ..... | ..... |
| 520 to 1,019 pounds | 504 | 32,785.26 | 14.36 | 2,404,607.79 | 5.13 | ..... | ..... |
| 1,020 to 1,519 pounds | 220 | 19,439.16 | 8.52 | 1,849,205.73 | 3.95 | $284.37 | 0.01 |
| 1,520 to 2,059 pounds | 128 | 12,088.65 | 5.30 | 1,380,419.58 | 2.95 | 851.50 | .02 |
| 2,060 to 3,559 pounds | 172 | 19,504.36 | 8.55 | 2,610,702.36 | 5.57 | 6,862.63 | .16 |
| 3,560 to 5,079 pounds | 91 | 13,811.27 | 6.05 | 2,177,189.51 | 4.65 | 27,636.64 | .62 |
| 5,080 to 48,103 pounds | 350 | 63,451.15 | 27.81 | 17,224,144.12 | 36.75 | 1,935,110.59 | 43.74 |
| 48,104 pounds and over | 45 | 12,485.76 | 5.47 | 16,620,926.50 | 35.47 | 2,453,138.96 | 55.45 |
| Total | 3,416 | 228,200.02 | 100.00 | 46,862,173.10 | 100.00 | 4,423,884.69 | 100.00 |

| Class of routes according to average daily weight carried. | Combined transportation and railway post office car service pay per annum. | Per cent. | Ton-miles per annum. | Per cent. | Pay per ton-mile for transportation. | Pay per ton-mile for transportation and railway post office car service combined. |
|---|---|---|---|---|---|---|
| 211 pounds or less | $1,069,548.49 | 2.09 | 716,621 | 0.14 | $1.4924 | $1.4924 |
| 212 to 519 pounds | 1,525,429.02 | 2.97 | 1,901,145 | .37 | .8024 | .8024 |
| 520 to 1,019 pounds | 2,404,607.79 | 4.69 | 4,533,012 | .89 | .5305 | .5305 |
| 1,020 to 1,519 pounds | 1,849,490.10 | 3.61 | 4,466,261 | .87 | .4140 | .4141 |
| 1,520 to 2,059 pounds | 1,381,271.08 | 2.69 | 3,815,778 | .76 | .3618 | .3620 |
| 2,060 to 3,559 pounds | 2,617,564.99 | 5.10 | 9,678,984 | 1.89 | .2697 | .2704 |
| 3,560 to 5,079 pounds | 2,204,826.15 | 4.30 | 10,899,157 | 2.13 | .1998 | .2023 |
| 5,080 to 48,103 pounds | 19,159,254.71 | 37.36 | 186,445,262 | 36.50 | .0924 | .1028 |
| 48,104 pounds and over | 19,074,065.46 | 37.19 | 288,371,302 | 56.45 | .0576 | .0661 |
| Total | 51,286,057.79 | 100.00 | 510,827,522 | 100.00 | .0917 | .1004 |

## FINANCIAL RESULTS OF THE PRESENT LAW.

The following table shows the total expenditures of the Post Office Department and the amount paid to railways for carrying the mails, 1870–1912. It will be seen that the per cent which the payments to railroads are of the total postal expenditures increased markedly from 1870 to 1890, but has declined again since that date, so that at present the percentage is similar to what it was in 1870.

TABLE 3.—*Railway-mail pay compared with total post-office expenditures, 1870–1912.*

[From reports of the Postmaster General and the Second Assistant Postmaster General.]

| Year. | Total expenditures of Post Office, all departments. | Payment to railroad for mail transportation (including post-office cars). | Per cent payments to railroads are of total postal expenditures. |
|---|---|---|---|
| 1870 | $23,998,838 | $5,123,901 | 21.4 |
| 1880 | 36,542,804 | 10,498,986 | 28.7 |
| 1890 | 66,259,548 | 23,395,232 | 35.3 |
| 1900 | 107,740,267 | 37,793,982 | 35.1 |
| 1901 | 115,554,921 | 38,519,624 | 33.3 |
| 1902 | 124,785,697 | 39,953,608 | 32.0 |
| 1903 | 138,784,487 | 41,886,849 | 30.2 |
| 1904 | 152,362,116 | 44,695,610 | 29.3 |
| 1905 | 167,399,169 | 45,576,515 | 27.2 |
| 1906 | 178,449,778 | 47,481,038 | 26.6 |
| 1907 | 190,238,288 | 51,008,111 | 26.8 |
| 1908 | 208,351,836 | 49,404,763 | 23.7 |
| 1909 | 221,004,102 | 49,606,440 | 22.4 |
| 1910 | 229,977,224 | 49,302,217 | 21.4 |
| 1911 | 237,648,926 | 50,910,262 | 21.4 |
| 1912 | 248,525,450 | 50,703,323 | 20.4 |

The following table compares the railway-mail revenues of the railroads with their revenues from other traffic. From 1888–1897 the per cent which the mail earnings are of the total passenger-train earnings rose from 6.8 to 10.7, but since that time this percentage has decreased again to 6.3.

TABLE 4.—*Comparative growth of total operating revenues, passenger-train revenues, and mail revenue, railways of the United States, 1888–1911.*

[From Statistics of Railways, Interstate Commerce Commission.]

| Year. | Total operating revenues. A | Total passenger service train revenue. B | Mail revenue. C | Per cent C is of A. | Per cent C is of B. |
|---|---|---|---|---|---|
| 1888 | $910,621,220 | $277,339,150 | $18,752,284 | 2.1 | 6.8 |
| 1889 | 964,816,129 | 300,063,891 | 21,923,031 | 2.3 | 7.3 |
| 1890 | 1,051,877,632 | 309,397,420 | 23,367,873 | 2.2 | 7.6 |
| 1891 | 1,096,761,395 | 333,025,811 | 24,870,015 | 2.3 | 7.5 |
| 1892 | 1,171,407,343 | 341,642,277 | 28,861,143 | 2.5 | 8.4 |
| 1893 | 1,220,751,874 | 360,024,041 | 28,445,053 | 2.3 | 7.9 |
| 1894 | 1,073,361,797 | 344,632,414 | 30,059,657 | 2.8 | 8.7 |
| 1895 | 1,075,371,462 | 313,615,220 | 30,969,746 | 2.9 | 9.9 |
| 1896 | 1,150,169,376 | 330,514,014 | 32,379,819 | 2.8 | 9.8 |
| 1897 | 1,122,089,773 | 316,421,439 | 33,754,466 | 3.0 | 10.7 |
| 1898 | 1,247,325,621 | 334,710,917 | 34,608,352 | 2.8 | 10.3 |
| 1899 | 1,313,610,118 | 361,555,421 | 35,999,011 | 2.7 | 10.0 |
| 1900 | 1,487,044,814 | 398,045,285 | 37,752,474 | 2.5 | 9.5 |
| 1901 | 1,588,526,037 | 429,134,462 | 38,453,602 | 2.4 | 9.0 |
| 1902 | 1,726,380,267 | 475,911,320 | 39,835,844 | 2.3 | 8.4 |
| 1903 | 1,900,846,907 | 511,567,229 | 41,709,396 | 2.2 | 8.2 |
| 1904 | 1,975,174,091 | 541,617,105 | 44,499,732 | 2.1 | 8.2 |
| 1905 | 2,082,482,406 | 574,310,154 | 45,426,125 | 2.2 | 7.9 |
| 1906 | 2,325,765,167 | 619,729,203 | 47,371,453 | 2.0 | 7.6 |
| 1907 | 2,589,105,578 | 684,993,137 | 50,378,964 | 1.9 | 7.4 |
| 1908 | 2,394,780,410 | 690,666,227 | 48,537,768 | 2.0 | 7.0 |
| 1909 | 2,419,299,638 | 690,493,165 | 49,391,681 | 2.0 | 7.2 |
| 1910 | 2,752,634,153 | 764,773,354 | 48,946,052 | 1.8 | 6.4 |
| 1911 | 2,789,761,669 | 799,771,186 | 50,702,625 | 1.8 | 6.3 |

The railroad representatives laid great emphasis on the successive reductions in the rates of pay since 1873. As we have seen, the average rate per ton-mile declines as the average daily weight over the routes increases, but in addition to this there have been successive reductions in the rates by action of Congress and further reductions by administrative interpretation of the law. That these reductions have taken place is not in itself proof that the present mail pay is too low. It may have been so high in 1873 that these reductions have not yet reduced the pay to a reasonable level. A chronology of important events in connection with railway-mail pay from 1873 to 1910 is supplied by Mr. Bradley, on pages 401 to 402 of the hearings. In this connection see also pages 48–50 of the hearings and the charts between pages 342 and 343.

### DEFECTS OF THE PRESENT LAW.

The following are some of the prominent defects in the present law:

(1) It pays the same rate per ton-mile, irrespective of whether the haul is long or short. This violates a universally recognized principle of freight transportation, for the mail is a species of high-class fast freight or express matter. The rate per ton-mile ought not to be the same when the ton is carried 500 miles as it is when carried only 50 miles.

It is true that in the passenger service proper it is customary to make rates in proportion to mileage. The fact that this is customary is not a sufficient reason to make equal mileage rates in the mail service. In this country it is customary in street-railway transportation to do just the opposite—to make one rate regardless of distance. This is not customary in some European countries. That there are certain terminal expenses in our passenger-train service which do not vary with the distance traveled, is undeniable. This alone would seem to require some fall in the rate as the distance increases. It may also be considered whether on long hauls more miles per day are not obtained from a mail car. There is probably proportionately less idle time waiting to be placed in a train for the next run.

This defect in the law explains in part at least the clear underpayment to the New England roads. This is commented upon by an official of that road as follows (hearings, p. 276):

> Mr. LLOYD. Why is it that that system is apparently loosing more than the other systems of the country?
>
> Mr. BUCKLAND. I should say probably it is because of the shortness of the travel, the frequency of the trains, and the amount of terminal services which appertain to each train. As an illustration, the New York, New Haven & Hartford road runs a train for every mile of its road. It has, in round numbers, 2,000 miles and runs 2,000 trains every day, and most of those trains carry mail. Each one of those trains has to perform certain terminal services.

(2) The present law is confusing in providing two rates of pay for the same service. When a certain route has one post-office car passing over it daily, the law provides one rate for the weight of the mail in the car and another payment for the car itself. It would be much simpler to have one rate for the loaded car. The proof of this is seen in the wide currency gained by the statements made by former Postmaster General Vilas in 1887 to the effect that the rental for a

single year would suffice to purchase the cars and keep them clean, etc. (See hearings, p. 20.) The fallacy in his conclusions has been clearly shown. In the words of the present Second Assistant Postmaster General:

> The fallacy of the statement of Mr. Vilas, it seems to me, lies in this, that there is no account taken of the cost of operating the cars. The payment that we make to the railroad companies for cars may soon equal their cost, but there is nothing to be argued from that as to the adequacy or the inadequacy of that pay, because that leaves out of consideration entirely the cost of operating or hauling the cars. (Hearings, p. 21.)

If it be answered that the hauling of the cars is covered by the payment for the average daily weight of mail matter, the rejoinder is, How do we know that the hauling is really covered in that way? The light load in the railway post-office car is in itself a reason for thinking it is not so covered. The real question is, Does the railway post-office pay added to the payment for weight constitute a fair payment for the complete service of furnishing and hauling the car with its load? (See hearings, p. 337.) No plan of amending the present law is satisfactory which does not abolish the separate payment for railway post-office cars as distinct from their load.

(3) The present law again is open to criticism because it ignores the frequency of service in applying the wholesale and retail principle. Thus, if two routes have the same average daily weight, the payment is the same irrespective of whether that weight is loaded on one train or on 10 trains. There is a mistaken analogy here with the freight service. In the freight service it is generally true that as density of traffic increases—that is, as the volume of traffic per mile of road increases—the company is able to put more tons into one car and more cars into one train. This greatly reduces the cost per ton-mile. An increasing volume of mail, on the other hand, may be accompanied by an increasing frequency of train service. The principle aimed at by the framers of the present law would be more nearly carried out if the routes were clasified, not by the average daily total weight, but by the average load per car. It may be noted that certain maintenance-of-way and general expenses per car mile would tend to decrease (or, perhaps, in the long run, to remain constant) with an increase in the number of car miles per mile of track, irrespective of the car or trainload. In other words, average load per car is not a perfect unit for the purpose in hand. It is offered simply as a better measure than the ton-miles per mile of line which the present law uses. It is true that, in a general way, increasing average daily weight is accompanied by an increased load per car, but not necessarily. This feature may be studied in the tables below. It was said in the hearings that the average load per mail car was negligible—being from 2 to 3 tons. But these tables suggest that the variation in the load is perhaps not negligible. It is obvious that on some routes the railroad company is performing much more service per car than on other routes. A few words of explanation are necessary for these tables. Table 5 was constructed from the data in Document 105 and only for three classes of routes because of the clerical labor involved. Inasmuch as the weights there given represent conditions earlier than November, 1909, the month for which the car-foot mileage is available, the average weight per car is too small.

TABLE 5.—*Average load per car for three classes of mail routes.*

[From Document 105, Tables 5G, 5H, and 5I.]

| Average daily weight. | Ton-miles per day. | Car miles per day.[1] | Average load per car. |
|---|---|---|---|
| 3,560–5,079 pounds | 26,750 | 29,153 | 0.9 |
| 5,080–48,103 pounds, first 100 routes | 83,552 | 53,266 | 1.6 |
| 48,105 pounds and over | 710,134 | 217,944 | 3.3 |

[1] On basis of 60 feet to a car; "dead" space included in car-foot mileage.

But we are able to check in a rough way the extent of this error by using the average daily weights as compiled by the Post Office Department as of April, 1913, in place of those given in Document 105. (See Table 6.) In this case the weights are too large for the car-foot mileage and we get an average weight per car that is too large.

TABLE 6.—*Average load per car for all classes of mail routes.*

[Ton-miles from Table 2 above; car-miles from Document 105, Table 5 J.]

| Average daily weight. | Ton-miles per annum. | Car-miles per annum.[1] | Tons per car. | Per cent storage space is of total in mail service.[2] |
|---|---|---|---|---|
| 211 or less | 716,621 | 3,235,000 | 0.22 | 2.30 |
| 212–519 | 1,901,145 | 4,180,000 | .45 | ..... |
| 520–1,019 | 4,533,012 | 8,720,000 | .52 | .37 |
| 1,020–1,519 | 4,466,261 | 8,069,000 | .55 | ..... |
| 1,520–2,059 | 3,815,778 | 4,422,000 | .86 | ..... |
| 2,060–3,559 | 9,678,984 | 11,814,000 | .82 | .03 |
| 3,560–5,079 | 10,899,157 | 10,442,000 | 1.04 | .63 |
| 5,080–48,103 | 186,445,262 | 99,260,000 | 1.88 | 2.52 |
| 48,104 and over | 288,371,302 | 78,605,000 | 3.67 | 22.83 |
| "Nonmail" | ..... | 10,000 | ..... | ..... |
| Total | 510,827,522 | 228,757,000 | 2.23 | 10.13 |

[1] On basis of 60 feet to a car; "dead" space included in car-foot mileage.
[2] Excluding "dead" space.

These tables show a decided variation in the load per car. But that the present law does not fairly compensate for such variations is shown by the consideration of individual routes. From a study of the individual routes shown in Tables 5G, 5H, and 5I, in Document 105, we find that routes may have the same average load per car while having very different average daily weights. Thus, route 106001 shows an average daily weight of 5,958 pounds and an average load per car of 2.2 tons, while route No. 131014, with the same load per car of 2.2 tons, has an average daily weight of 65,754 pounds. Certain routes which have only storage-car service show a much higher weight per car than the other routes.

These weights include both the railway post office and storage cars. The relative importance of storage space is shown for the different classes of routes in Table 6 above. The presence of a storage car brings up the average weight. In the regular weighings, the weights in the two classes of cars are not separated, but in the special weighing of 1907 the greater load of the storage cars was shown. Table 10

below is a summary of this information. It will be seen, however, that there is a great variation in the load of railway post-office cars taken by themselves in different sections of the country and similarly with storage cars.

TABLE 10.—*Average tons per car (special weighing of 1907).*

| | All divisions; United States. | 1 New England States. | 2 New York, New Jersey, Pennsylvania, Delaware, etc. | 3 Maryland, Virginia, West Virginia, North Carolina, District of Columbia. | 4 South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana (east). | 5 Ohio, Indiana, Kentucky, Tennessee. |
|---|---|---|---|---|---|---|
| 60-foot railway post office cars. | 2.83 | 2.03 | 3.39 | 1.82 | 3.01 | 2.38 |
| 60-foot storage cars | 7.26 | 6.67 | 6.72 | 3.79 | 2.59 | 4.74 |

| | 6 Illinois, Iowa, Nebraska, Wyoming, Black Hills. | 7 Missouri, Kansas, Colorado, New Mexico. | 8 California, Nevada, Oregon, Alaska, Arizona, Idaho, Utah, Washington. | 9 Through mail via Buffalo, Suspension Bridge, Toledo, and Detroit. | 10 Wisconsin, North Peninsula of Michigan, Minnesota, North Dakota, South Dakota, Montana. | 11 Arkansas, Oklahoma, Texas, Louisiana (east). |
|---|---|---|---|---|---|---|
| 60-foot railway post office cars. | 2.31 | 2.04 | 3.59 | 3.81 | 1.93 | 2.60 |
| 60-foot storage cars | 8.11 | 5.17 | 9.26 | 8.56 | 7.33 | 5.22 |

(4) *Other defects.*—The present law again may be criticized because it does not give a sufficiently direct incentive to economize in the loading per car. It is true the Post Office Department has an incentive to save in the matter of getting along with as few full railway post-office cars as possible, since it pays an extra amount for these; but so far as the baggage and storage cars are concerned, the loading is a matter of indifference, since it pays the same for a given weight irrespective of how many cars are used. It may be that much more economy is not possible here, but it seems a good principle to make those directly interested in the loading who have control of the loading. At present the way the department can economize in the matter of weight is in concentrating the weight on certain routes, thus increasing the average daily weight and thereby lowering the rate per ton-mile. It would be more sensible to have them try to put as much into a car as possible, thereby effecting a social and not merely a departmental saving.

Certain criticisms of present practice, such as the inconsistency of paying for a full railway post-office car and not for apartment car space, the quadrennial weighing, and the question of side and terminal services, will be noted below in treating of the various suggested plans. One other difficulty may be mentioned here that is caused by the present law and is not necessary in the nature of things, namely, the divisor difficulty. When average daily weight is the basis, the weights taken must be divided by a certain number of days, and this raises the question of whether Sundays should be

counted. If average weight per car is made the basis, this difficulty disappears, because ton-miles and car-miles would be recorded simultaneously.

Before indicating how all of these defects can be removed and worked into a practicable plan, we may review the various suggestions made in the hearings for dealing with the problem.

## IV. Discussion of Various Plans or Suggestions Presented at the Hearings.

### THE COST AND SPACE PLAN.

On August 12, 1911, the then Postmaster General transmitted a letter to the Speaker of the House of Representatives submitting a report on the results of an inquiry as to the expense of railroads in transporting the mails. This was printed as House Document No. 105, Sixty-second Congress, first session, and will be referred to as "Document 105." A bill embodying the conclusions of the Post Office Department at that time was introduced in the Senate on July 26, 1912, but on January 20, 1913, a modification was made in the plan proposed. The modified plan is printed on page 109 of the preliminary report of Chairman Bourne to the Committee on Railway Mail Pay. The following is a condensation and explanation of the proposed law:

SUMMARY OF THE PLAN PROPOSED BY MR. HITCHCOCK, JANUARY 20, 1913.

1. From information supplied by the railroads the Postmaster General shall annually determine the cost of carrying the mails on each road, cost meaning operating expenses and taxes. The apportionment of such "cost" is subject to review by the Interstate Commerce Commission. The mail pay due each road is to be determined by adding to such "cost" 6 per cent and such additional amounts "if any be necessary" to make the whole payment a reasonable return on the value of the property "necessarily" employed in the mail service. (This determination of a capital charge is apparently not to be reviewed by the Interstate Commerce Commission.)

2. Land-grant roads shall receive only operating expenses and taxes; that is, nothing for the use of the capital.

3. Settlements are to be made with the 795 roads, not by the 3,400 mail routes.

4. The car-foot miles devoted to the use of mails are to be ascertained during a statistical period, provided that the space in distribution cars is to be measured according to the authorization of space by the Postmaster General, the department being charged for the round trip with the maximum space authorized in either direction.

5. It shall be unlawful for railroads to refuse to carry mails.

The railroads strenuously objected to this plan as originally proposed, and continue to oppose it as modified. Whatever future developments of railway cost accounting may make possible, it would be premature, they say, at the present time to direct the department simply to ascertain the cost for each railroad. (Hearings, p. 728.) They also say that to pay each railroad according to cost would penalize efficiency (p. 727). In opposing the space basis, they laid especial emphasis on the administrative uncertainties. For example, Mr. H. E. Mack, manager of mail traffic on the Missouri Pacific, said:

The question of whether it is a practical basis would have numerous illustrations to show that perhaps it is not. Our experience with the full postal-car service, with only 10 per cent of pay, illustrates to us that space would not be a

satisfactory basis of pay where all of our mail earnings are involved. For instance, if I may refer to this feature of the case, suppose on an exclusive space basis the question comes up whether the Government should pay for a 30-foot or a 60 foot car; what would be the controlling factor in that case? Should the Post Office Department and an officer of the service, perhaps a subordinate officer, have the right simply to say, without any controlling or determining factors, that a 60-foot car should be required instead of a 30-foot car?

We will take a line 490 miles long, and I made this calculation on my line from St. Louis to Texarkana: The probable increase from a 30-foot to a 60-foot car would be $36,000. While theoretically it looks like a car is a given quantity, and you can tell that if the car is furnished it ought to be paid for at such and such a rate; that is not the question at all, but it is a question of whether that car is needed, and that goes back to the question of opinion. The Post Office Department would have the authority, by a mere statement, to increase the pay on that railroad $36,000 or $37,000 a year, and it has no controlling factor, and there is not a thing in the world to prevent an officer of the postal service from increasing it, except just because he wants to. There is nothing to prevent that, in my judgment, and I am very sure that is the opinion of every traffic mail officer who has had any experience in the service. (Hearings, p. 666. See also pp. 44, 129, 248–249, 301, 351–352, 595, 670, et seq., 681, and 728.)

But it was also urged that it would be unfair as between various roads carrying different volumes of traffic for a given space. For example, Mr. Ralph Peters, president of the Long Island Railroad, said:

You may be liberal with one road and require a liberal furnishing of car space without the heavy weights of mail, and on another road concentrate your mail into a limited number of cars (p. 637).

Again Mr. W. A. Worthington, of the Southern Pacific, stated this objection, as follows:

On a space basis for mails they would be denied any additional revenue for hauling greater tonnage per foot, which is unfair, as the railroads ought to be permitted to offset rising operating costs in this way. * * * No matter how much tonnage we put in a foot of space, if we were paid on a space basis we would get no more compensation for it, and as the Government can double the weights per foot, they can pay the railroads a much smaller percentage of the revenue. (Hearings p. 353.)

These views conflict somewhat with the opinion expressed by Mr. V. J. Bradley, supervisor of mail traffic, Pennsylvania Railroad, to the effect that there is no great possibility that the Post Office Department will be able to increase the load per car. He says:

In 1899, when the last joint congressional commission was studying this question, I held the opinion, which I surmise is still held by some officials of the Post Office Department, that if the department paid for car space instead of for weight they could load the space to the maximum, and so effect great economies. I am satisfied that this is a delusion. The low average load carried per car is really the result of the variable character of the traffic and not of the present basis of pay. The fact that the volume of mail in one direction is heavier than in the reverse direction lowers the average load, but the department can not control or change this condition. The further fact that the load from the heavy initial terminal varies from day to day can not be controlled by the department unless it takes all expedition and high quality out of the service by holding the mail back until it accumulates a full load, as in the freight service. Congress and the American people would not consent to this. (Hearings p. 626.)

However that may be, we have seen from the tables given on previous pages that there is a considerable variation in the average load per car on various routes, and this should be considered in adjusting the compensation.

It should be noted that the railroad representatives were opposed to the space basis partly because of the cost associations given it by the Post Office Department. "What we object to chiefly in the proposed bills," said Mr. Peters, "is the plan to pay for the mails on the basis of cost and not so much space, space being used merely as a measure for apportioning the cost between the different elements on the pasenger trains." (Hearings, p. 43.) Consider in this connection also the following testimony by Mr. S. C. Scott, of the Pennsylvania lines:

Mr. SCOTT. Mr. Lloyd, I do not know anything about the space basis. That is, I do not know anything about where it is going to lead us. If we could agree with the Postmaster General upon the percentages and upon a division of the expenses between passenger and freight service, I do not know but what this might work out very satisfactorily to the railroads.

Mr. LLOYD. Is not this true: The thing that has alarmed the railroads is the statement made by the Postmaster General that the space basis would result in a saving of $9,000,000?

Mr. SCOTT. Why, undoubtedly. (Hearing No. 1, p. 233.)

The following appear to be valid criticisms of the plan as printed:

1. The 6 per cent on operating expenses and taxes in addition to an allowance for capital is a duplication. This is a minor point and could be readily remedied.

2. The difficulty of ascertaining the cost is a serious but not an insuperable objection if the Interstate Commerce Commission be directed to work out an equitable method of cost accounting, which it has so far not done.[1]

3. A strong objection is that the cost is to be ascertained separately for each road and made the sole criterion of the rate on that road. Cost is an important guide to what is a reasonable rate as will be discussed more fully later, but as a matter of principle it would be wrong to pay every road according to cost, because this would be rewarding inefficiency or extravagance and penalizing efficiency. It would seem that cost along with all other pertinent facts should be weighed in fixing rates for individual roads. But if this be done, the plan loses its characteristic simplicity and means a final reference to the Interstate Commerce Commission or some other tribunal. The advantages of making a separate rate for each road should not be overlooked. While the plan provides for the space unit as a basis of payment, the association with the individual determination by roads overcomes some of the objections against the space basis. Thus the amount of loading and amount of side and terminal services peculiar to each road might be considered in determining the rate for each road. The question of varying lengths of haul would be automatically disposed of since the short-haul roads would show a higher cost per car-foot.

4. The use of a single space unit of payment fails to give the department that most useful index to economy—the average load per car. In this connection the following quotation from the Postmaster General's annual report for 1911 is of interest:

The reports of the inspectors who made the investigation showed that the Government had been paying large sums for car space that was not properly utilized, indicating a lack of proper supervision on the part of

[1] On Oct. 17, 1913, the Commission held a public hearing on the subject of railway cost accounting, but no conclusion has been announced.

the officers of the service. Owing to the conditions disclosed by the investigation a thorough reorganization of the Railway Mail Service has been undertaken. This reorganization, although not completed, has gone far enough to bring about a decided improvement over the unsatisfactory conditions reported. Unquestionably, the final result will mean a tremendous saving to the Government accompanied by important benefits to the employees of the service (p. 21).

The danger involved in having no check on the use of space has been emphasized. (See hearings, pp. 728–9; 302.) But the Second Assistant Postmaster General is not impressed with this danger. (Hearings, pp. 708–9.)

5. The administrative difficulties that have been referred to are taken up in connection with the standard unit suggestions in the following section.

6. One interesting feature of the bill is the provision that land-grant routes are to receive not exceeding cost, in place of the present provision allowing them 80 per cent of the regular pay. If this percentage for the land-grant roads is to be changed, it would be desirable to have an investigation of the benefit or proceeds, or present value of those grants, to see what proportion of the capitalization chargeable to mail they represent to-day. Then one could deduct the same proportion of whatever capital charge was included in the mail pay. The extreme difficulty of making any accurate adjustment, however, suggests the advisability of continuing the compromise which has received the sanction of a generation, especially as there is nothing obviously unjust about it. If a railroad receives 80 per cent of a fair rate, it is receiving an amount which about covers operating expenses—that is, it is not contributing to the capital charges. In the last analysis this adjustment means that the land grants were in part a gift to the Post Office Department invested in railroads, from which investment it is now drawing a revenue.

### THE STANDARD UNIT SUGGESTION.

At the hearings Congressman Lloyd made a valuable suggestion that seemed to bear fruit in connection with the administrative difficulties of the space basis. He first suggested that there might be only one size of car—a 60-foot car (Hearings, p. 597), but as an outcome of the discussion between the chairman, Congressman Lloyd, and Mr. C. H. McBride (pp. 598–599) a 30-foot unit was added, and later the suggestion took the form of four units—the 60-foot car, the 30-foot car, 15-foot car, and closed-pouch service (p. 636). The Second Assistant Postmaster General submitted estimates of the cost of this method of applying the space basis at assumed rates of 22½ and 25 cents per car-mile (p. 679). At the 22½-cent rate the result was reached that if apartment-car service is assumed to be performed one-half six times a week and one-half seven times a week, the total cost for 1912 would have been $58,679,549, an increase of 15.7 per cent. This suggestion has merit in directing our attention specifically to one of the most perplexing difficulties in the administrative detail for any plan that uses space, either in part or entirely. We find in use 70-foot cars, 60-foot cars, 50-foot cars, and many different sizes of apartments, 25 feet being

very frequent, with some as small as 10 feet. In the discussion of this feature of the Railway Mail Service it should be recognized that the car space "needed," the car space "used," and the car space "furnished" may be three different things. Again, the cars used by the mail service may be railway post office distributing cars or they may be storage cars for which no specific payment is made under the present law, and portions of the baggage cars may be used for storage also. The variety in the sizes of cars in use at the present time is shown by the following tables from the report of the Second Assistant Postmaster General.

TABLE 11.—*Full cars in use and in reserve on June 30, 1912.*

| | Length of car in feet. | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 |
| Steel | 44 | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... | ..... |
| Steel underframe | 5 | .... | .... | .... | .... | .... | .... | .... | .... | 2 | 5 | .... | 1 |
| Wood | 40 | 8 | 2 | 5 | 9 | 2 | .... | .... | 3 | 19 | 103 | 4 | 2 |
| Total | 89 | 8 | 2 | 5 | 9 | 2 | .... | .... | 3 | 21 | 108 | 4 | 3 |

| | Length of car in feet. | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 54 | 55 | 56 | 57 | 59 | 60 | 61 | 62 | 64 | 65 | 69 | 70 | Total. |
| Steel | .... | .... | .... | 1 | 5 | 361 | .... | 1 | .... | 3 | 6 | 124 | 545 |
| Steel underframe | .... | .... | .... | .... | .... | 160 | .... | 6 | .... | 3 | .... | .... | 182 |
| Wood | 4 | 16 | 1 | .... | 14 | 409 | 11 | 5 | 1 | 3 | .... | .... | 661 |
| Total | 4 | 16 | 1 | 1 | 19 | 930 | 11 | 12 | 1 | 9 | 6 | 124 | 1,388 |

TABLE 12.—*Apartment cars in use and in reserve on June 30, 1912.*

| | Under 15 feet. | 15–18 feet. | 18–20 feet. | 20–22½ feet. | 22½–25 feet. | 25–30 feet. | Over 30 feet. | Total. |
|---|---|---|---|---|---|---|---|---|
| Steel | 34 | 6 | 8 | ..... | 21 | 59 | 53 | 181 |
| Steel underframe | ..... | 13 | ..... | 9 | 29 | 117 | 53 | 221 |
| Wood | 396 | 475 | 296 | 569 | 368 | 1,187 | 336 | 3,627 |
| Total | 430 | 494 | 304 | 578 | 418 | 1,363 | 442 | 4,029 |

The railroad representatives had a good deal to say about the frequent discrepancy between what the department said they needed and what the railroads actually furnished. The road may be hauling a 70-foot car when the department says it needs only a 50 or 60 foot car. If units were adopted as standard, as Mr. Lloyd suggests, the roads would build those sizes only and the department could ask for those sizes only. This would tend to bring more nearly together what the department asked for and what the roads could furnish.

In view of the varying lengths of actual cars in service, perhaps it could be provided that only in case of a road's inability to furnish what is asked for, the standard shall be the basis of a compromise, but that where what is asked and what is furnished substantially coincide the amount needed should be paid for.

These suggestions at the hearings implied the simple space plan, the payment per standard car being the same irrespective of what goes into the car. But it does not seem equitable to pay one road the same as another road when the first is furnishing four times as much service as the other road per car. One car on one route may carry on an average 1 ton of mail or less while the other route may carry on an average 4 tons. To be sure, the extra expense would not be four times as great, for while the work of loading and unloading might be four times as great, the extra cost of hauling the additional tons would be comparatively small. But some account should be taken of the extra volume of mail handled. This point will be elaborated on a subsequent page. If it should be decided that this modification is unnecessary and that the Post Office Department does not need a record of the ton-mileage of the mail, the bill suggested on page 873 below could be considerably simplified. The payment for baggage-car mail, however, would have to be treated differently.

It can not be said offhand that the standard-unit principle would favor the railroads over the department or vice versa. There will be cases in which the standard unit paid for will be more than the department needs, but on the other hand there will be cases also in which the railroad furnishes a larger unit than is asked for. Thus, if 15 feet is asked for, the road may run a 30-foot apartment, having no 15-foot apartment on hand. If the equipment of the roads, however, ever became adjusted to these units, so that the particular unit asked for could be furnished, then the advantage would lie with the railroads, because the department would always have to require the unit next larger than the number of feet actually needed, provided the length were not the same as that of any of the units.

### THE PERCENTAGE METHOD.

Many persons have been impressed with the idea that a simple solution of the mail-pay problem would be to name a percentage of the postal receipts to be paid the roads each year, this lump sum then to be divided among the roads in a manner judged to be equitable by them. The idea appears in the hearings before the Wolcott Commission. Congressman Loud asked the following question:

> Would it be your idea that the Government should deal with all of the railroad cars as one system and insist upon the establishment of a railway clearing house, into which shall be paid the amount the Government deems adequate for the total mail service, and make the railroad companies through their clearing house apportion its proceeds among themselves? (56th Cong., 2d sess., Senate Doc. 89, Pt. II, p. 468.)

It is discussed in the hearings of the present committee only casually. The initial stumbling block is the determination of the percentage. But this is not the greatest difficulty. In fact, this is no more difficult than to determine the level of the rates by any other method whatsoever. The weight plan, the space plan, or any other plan must face this same difficulty of determining the last analysis of how much shall be paid over to the roads. The present plan caused $50,703,323 to be paid to the railroads on account of the mail service in the year 1912. To decide whether this is a just amount brings us into the considerations necessary for all plans—that is, the commercial principle, cost accounting, and comparison of rates. If the per-

centage method is really desirable, the difficulty of determining the percentage is not an insuperable obstacle, since that difficulty is common to all methods.

The real difficulty with the percentage method is that it is illogical. We should pay the railroads for the services they render, and it is clear that the post-office receipts might change out of proportion to changes in the amount of the railroad services. To be sure the percentage might be revised from time to time if there should be great changes in the postal policy, such as penny postage. Mr. Stewart expressed this difficulty as follows:

> I do not think it is sound, mainly for the reasons I stated when I began. There is no necessary relation between revenues derived and service performed; and furthermore there is no necessary relation between revenues derived and services performed by the railroad company or by the rural service or by the letter carriers. They are not comparable. It seems to me it is an effort to compare and reach a conclusion between two or more incomparable elements.

Furthermore, there would still remain the problem of an equitable distribution among the railroads. To make the roads decide this for themselves by organizing a committee for the purpose is conceivable. In England the pay for carrying the parcel post is determined by taking a percentage of the gross receipts, and the law specifies how it shall be distributed among the railroads, the distribution being in accordance with each road's earnings from parcels carried for the public directly. There does not appear to be any such simple basis for the whole mail payment. Some scheme of weight or space or combination of the two would have to be adopted for distributing the money among the railroads. The only advantage the percentage scheme has, is in automatically determining the total amount to be paid each year after the percentage has once been adopted. It would be subject to scrutiny and reconsideration each year by Congress, or perhaps the justice of it could be considered on complaint by the Interstate Commerce Commission. The percentage method must be discarded as a solution of the problem.

### THE PLAN OF SENATOR JOHN W. WEEKS.

It was suggested by Senator Weeks that a director of posts be appointed to make a contract with each railroad company, subject to an appeal to the Interstate Commerce Commission. To use the Senator's own words:

> Suppose Congress authorizes the appointment of an official in the Post Office Department—call him a traffic manager, or a director of posts, or whatever you like—and that it should be his business to arrange with railroad companies for the transportation of the mails and to fix the compensation for doing it, without any law whatever as to what the compensation should be, assuming, of course, if the railroad company and the traffic manager did not agree on a rate, that it should be referred to the Interstate Commerce Commission for adjustment. (Hearings, p. 395.)

Like the percentage plan, this has the merit of being exceedingly simple from the standpoint of this committee or of Congress. It would leave all questions of ton-miles, car-foot miles, empty space, etc., to the brain of the director of posts. But would not this plan be more of an evasion than a solution? Imagine that such a director of posts had been duly appointed and made a bargain with a certain railroad company, paying it $1,000,000 for the service rendered.

The director of posts, even though a man of broad business experience, would hardly know by intuition that this was a good bargain for the Government. He would have to investigate the whole matter. He would have to be able to explain and justify his decision if he wished to escape the charge of being in collusion with the railroads. He would have to have records of weight or of space or of both, and then he would have to justify his rate for whatever unit of payment be selected. In other words, he could be a committee of one to do what the joint committee of Congress has been trying to do. The director of posts presumably would have the further duties of straightening out minor difficulties in the administration of the agreements, but this work is now being done by the Division of Railway Adjustments in the Post Office Department. It is not clear why a new name should be given to the department doing this kind of work.

Without attempting to pass final judgment on the suggestion of Senator Weeks, it may be further pointed out that its practical result would, like the Peabody plan, probably be to turn the whole matter over to the Interstate Commerce Commission.

### THE PLAN OF HON. DAVID J. LEWIS.

This plan will be found on pages 696–698 of the hearings. The total amount of pay due the railroads is to be determined separately for parcels and for letter mail. For parcels the ton-mileage is to be ascertained at the various post offices by recording the weight and destination of each parcel and then a rate per ton-mile is to be applied to the total ton-mileage, the rate per ton-mile being roughly estimated at first at 5 cents, subject to revision when cost principles can be satisfactorily applied. Letter mail is to be paid for at a rate per ton, the weights being taken during a weighing period as the mail leaves the post office. A rate of $43.65, equivalent to about 8 cents a ton-mile, is suggested. Thus the total amount due the railroads will be ascertained, and this amount is to be distributed among the roads on a space basis. The following criticisms are offered for consideration:

1. If the money is to be distributed among the railroads on a space basis, there is no good reason why the total amount due should not also be ascertained on that basis, since the cost per car-mile can be ascertained more readily than the cost per ton-mile.

2. As Mr. Lewis does not discuss the details of the space basis, he apparently assumes the justice of it as between roads, but this is open to question. (See p. 859.) He also throws no light on the administrative difficulties of applying that basis.

3. If the labor of calculating both ton-miles and car-miles is warranted, we can readily get the average load per car on each railroad, and this enables us to state a fair rate per car-mile or per ton-mile for that road, irrespective of what kind of parcels or mail matter is in the car. The separation of letter pay from parcel pay is therefore unnecessary. That Mr. Lewis should suggest that both space and weight be utilized is interesting, but the great defect in his plan is that he fails to correlate the two.

### THE PEABODY PLAN.

It has been suggested by Mr. James Peabody, statistician of the Atchison, Topeka & Santa Fe Railroad, that we are dealing here with a problem of rate making and that we have a machinery now by which to determine the reasonableness of rates. Rates for hauling coal are now published, in the first instance, by the railroad companies and are subject to complaint before the Interstate Commerce Commission. Similarly, he would have Congress determine simply the unit of payment, and then let each railroad announce a rate for carrying the mails. Against this rate the Post Office Department could appeal to the Interstate Commerce Commission. (Hearings, pp. 684–688.)

This is equivalent to turning the whole matter over to the Interstate Commerce Commission. Why should the railroads make this rate in the first instance, placing the burden on the Post Office Department of going to court to prove the rate unjust? Probably all of the rates would be complained against when first announced. All the advantages of this plan can be retained by having Congress go a little further than simply name the unit, by prescribing a schedule of prima facie reasonable rates, but giving flexibility to the law by permitting an appeal as suggested, by either party, putting the burden of proof on the complainant.

### THE BUCKLAND PLAN.

Mr. Edward G. Buckland, of the New York, New Haven & Hartford Railroad Co., submitted a brief bill (hearings, pp. 268 et seq.) which also makes the Interstate Commerce Commission the final judge of the reasonableness of the compensation, but which differs from Mr. Peabody's suggestion in that the Postmaster General is to initiate the rates. The Postmaster General is to make such regulations as he pleases, and then the commission is to say what the transportation service under such regulations is worth. In determining what the service is worth, Mr. Buckland accepts the cost basis practically in the words of the Hitchcock bill discussed on a previous page. No additional comment is necessary, as the reference of the whole matter to the Interstate Commerce Commission and the cost feature have already been discussed.

### THE GROSS-TON PRINCIPLE.

It was suggested by Mr. John Hall Bowman, an accountant testifying for the New Haven Railroad, that an admirable method for separating passenger train costs would be on the basis of the gross weight of car and contents, but that this would require too many arbitraries. (Hearings, p. 295.) It is obvious that the weight of car and contents takes into account both the weight of the mail and the space furnished, since the tare weight hauled will depend largely on the number of cars hauled. It would not be advisable to pay for the mail service directly on the basis of the gross ton-miles, as that would make the mail pay depend upon how much dead weight a company chose to attach to a car. Nevertheless, in constructing a

scheme of railway-mail pay, we may well keep in mind this gross-ton idea, which has been used frequently in the construction of freight rates. The further application of this idea will be found below in the presentation of the weight-space method.

### THE PROPOSALS OF THE RAILROADS.

The only constructive proposal made by the representatives of railroads was the correction of certain inconsistencies in the present law. One of these is that at present a railroad receives extra compensation if it runs a full car for distribution purposes, fitted with racks and letter boxes, while if it furnishes two 30-foot apartment cars similarly fitted up but on a smaller scale, it receives nothing whatever for this service aside from the compensation for weight carried. This is clearly an inconsistency which nobody will seriously defend. But there are two ways of correcting the inconsistency. The representatives of the roads suggest pay for apartment cars, but the matter could also be adjusted by not making a separate payment for either the apartment or the full railway post-office cars, but making the payment per car sufficient to cover the total amount due. We have seen that two payments for hauling a loaded car is confusing. The financial effect of such a change may be roughly estimated as follows: According to Document 105, the apartment car-foot mileage was 84.5 per cent of the railway post-office car-foot mileage. The railway post-office pay in 1912 was $4,367,029. Taking 84.5 per cent of this we get $3,690,140 as the probable cost to the Government of this change. The railroad representatives also suggested that side and terminal services are a burden in many cases. The railroads are at present required to carry the mails from and into all terminal post offices, except in cities where other provision is made by the department. In cases where the department has not made such provision, the distance between terminal post office and nearest station is computed in and paid for as part of the route. At intermediate post offices located not more than 80 rods from the nearest railroad station at which the railroad company has an agent, the railroad must carry the mails between station and post office without extra charge. This is known as side service. At connecting points where railroad stations are not over 80 rods apart, a company having mails on its train to be forwarded by a connecting train must deliver them into the connecting train.

These customs are inherited from the days of the stage coach, when the stage had to deliver the mails into every post office along the route. It has been estimated that the side service would cost the department $4,393,000 if it had to provide this service. (Hearings, pp. 211, 181, 17.) But it probably is not costing the railroads that much directly. (Hearings, pp. 218 et seq.) They perform a good deal of this service incidentally and the direct outlay would perhaps be considerably less than a million dollars (pp. 219, 231, 570, and 706). The railroads have indicated a willingness to continue performing these services, but "urge that they should be specially and adequately compensated for all side and terminal services." (Hearings, p. 726.)

An important point in this connection is that the burden of performing the side service falls unequally on various railroads, being regarded as a special burden on short lines. The amount paid out directly by the road for mail-messenger service is frequently a large proportion of the entire mail pay received from the Government. (See statements of short-line railroads, pp. 830 et seq. of Hearings; also Hearings, pp. 520 and 247.)

Whatever disposition is made of this matter, it seems clear that pay for side service ought not to be mingled with the pay for railroad transportation. The amount paid for side and terminal services should be kept separate. The railroads might be directed to perform the side and terminal services when required by the Postmaster General at a price not to exceed the additional cost to the railroad company for that service.

The representatives of the railroads also ask for an annual weighing (Hearings, p. 724) in place of the present quadrennial weighing. The loss for the Western States (fourth contract section) was estimated by Mr. Worthington of the Southern Pacific at $2,800,000 for the years 1905 to 1909. (Chart F, p. 342.) The testimony does not give an estimate for the country as a whole. In lieu of anything more exact, the following calculation is offered. The report of Mr. H. C. Adams estimated the ton-mileage at 272,714,017 in 1898. The department calculated the ton-mileage at 510,827,522 in 1913, or an increase of 238,113,505 in 15 years. This is equivalent to about 4½ per cent increase each year over the preceding year. If we take the latest estimate of 510,800,000 ton-miles and calculate the increase for four years on this basis of 4½ per cent of each year, noting that, as compared with an annual weighing, the first year's increase will be carried without pay for a period of three years, the second year's increase for two years, etc., we get a total ton-mileage of 141,990,000 carried without pay, or an annual gratuitous carriage of 35,497,500 ton-miles. This at 9.17 cents per ton-mile yields a value of $3,255,000 as the annual increase in transportation charge if annual weighings are adopted with the existing rates. This estimate takes no account of the fact that the ton-mile rate would decline with the increased weight and is a very rough estimate.

Putting the three estimates together, of $3,690,140 for apartments, $1,000,000 for side service, and $3,255,000 for annual weighing, the cost of correcting the inconsistencies in the present law in the manner asked for by the railroads would be nearly $8,000,000 annually.

### WEIGHT, SPACE, AND DISTANCE.

An attempt will be made in this section to indicate how to modify the present law so that we can utilize the suggestions that have been given. A leading feature of this plan is the substitution of the average load per car for the average daily weight as the basis of classification of routes. Whether the rate be then stated as a rate per ton-mile, or whether it be stated as a car-mile rate is optional. It is obviously a matter of indifference whether a car containing 5 tons be paid at 5 cents per ton-mile or at 25 cents per car-mile. Which is chosen is a matter of administrative convenience. In presenting these suggestions in detail we shall outline a bill stating the rates on a car-mile basis.

It is a well-recognized principle in the making of freight rates that the space occupied by an article for a given weight shall be considered in making the rate. Furniture set up takes a higher rate than furniture knocked down and packed in boxes. The bulkiness of an article of given weight affects the load that can be gotten into a car. It is pertinent to inquire into the loading of mail per car as a preliminary to fixing a rate for mail, and this is equivalent to taking into account both space and weight. Tons per car is a unit of weight compared with a unit of space. That this is a vital factor has long been recognized. The Thompson-Slater Commission has this to say:

> While it is proposed to pay for space, yet the amount of space and consequent expenditure on any railroad must be restricted by some method which in its operation will lie outside of the discretion of executive officers. Without some such restrictive gauge there would be no limit to the expenditures for transportation by railroads, save such as might be fixed at the will of an officer of the Post Office Department. Under such a condition of affairs it is evident that space itself would be an arbitrary basis of compensation, unsafe both for the railroads and for the Post Office Department. The gauge prescribed by the committee, resting upon the weight of mails, modified by the room necessary in which to assort and distribute the same, and the speed with which they are conveyed, removes all possibility of improper or arbitrary allowances in determining the space and pay on any particular railroad. (48th Cong., 1st sess., Ex. Doc. No. 35.)

They then recommended a certain payment per car-foot mile (5 mills at a speed of 20 miles per hour) and an additional payment for weight, counting 500 pounds as equivalent to 13 feet, from 500 to 1,000 pounds not to exceed 15 feet, etc. But they do not enter on a discussion of just how this would be applied in practice.

The remarks of Mr. W. H. Moody in the report of the Wolcott Commission are of especial interest in this connection:

> We all agree that the loading of the cars is the "principal question," to use Mr. Adams's expression. It is the one point of agreement between the representatives of the railroads, the Post Office officials, the members of the commission, and its expert. Yet it is the one question upon which there is no evidence beyond mere assertion. (Hearings, p. 41.)

Again, Mr. Julius Kruttschnitt presented to the Wolcott Commission a plan utilizing both space and weight in the following language:

> In thinking over the matter it occurred to me that some such adjustment as outlined below would be equitable to the interests of both the railroads and of the Government:
>
> 1. From the statistics of the Interstate Commerce Commission determine the cost per train mile in each of the 10 groups into which the country is divided by the commission for statistical purposes, the cost to include operating expenses, taxes, interest on funded debt, and dividends, following the principle laid down by the late chairman of the commission, Mr. Cooley, in the matter of the petition of the Louisville & Nashville Railroad Co. and others, page 79, annual report of the Interstate Commerce Commission for 1887:
>
> "Every railroad ought, when it is practicable, to so arrange its tariffs that the burden upon freights shall be proportional on all portions of its line, and with a view to revenue sufficient to meet all items of current expense, including the cost of keeping up the road, buildings, and equipment, and of returning a fair profit to the owners."
>
> 2. The railroad companies to keep in their car-accounting offices an accurate record of the mileage made by all railway post-office and apartment cars, and from such data to deduce the actual foot-mileage made by railway-post-office and apartment cars.
>
> 3. The cost of the passenger-train mile being known, and the number of feet occupied by the Post Office Department in apartment and railway-post-office cars being known, each linear foot so occupied to be charged its length pro rata of the train expenses.

4. In each foot of length of a railway post-office car or apartment car, 40 pounds of mail and attendant clerks to be carried without any compensation other than that determined by paragraph 3, providing for compensation for car haul. All excess of mail matter in railway-post-office or apartment cars above 40 pounds to the linear foot, and all pouch mail carried in baggage or express cars to pay a charge for transportation one and one-half times the rates established for first-class freight by the carrier performing the service between the post-route terminals in question.

5. The weight of mails to be taken annually, the weights in railway post-office and apartment cars and the weights of pouch mail to be kept separately

6. The carriers to be relieved of all terminal service and obligations to receive and deliver mail into wayside post offices, the mails in every case to be received by the Post Office Department officials at points where they are unloaded from trains, the expense of delivering to be assumed by the Government; or, if it be desired that the carrier should still perform this service, compensation at the rate of at least $100 per office per annum at every point where the mail is received or delivered into post offices by the carrier should be fixed.

7. All classes of mail now sent through the post office to continue being sent under this proposition; that is to say, the Government not to divert the carriage of second-class and fourth-class mails to freight trains or other methods of carriage. (From the testimony taken by the commission to investigate the Postal Service. 56th Cong., 2d session. S. Doc. No. 89. Pt. 2. p. 97.)

An attempt has been made to show on a previous page how the average load per car varies on different routes, with the result indicated that while the average on any route is affected by the presence of storage cars, still the load in the railway-post-office car varies considerably, and while even a large load for such a car, say 4 tons, is small compared with the total weight of the car, it is doubtful if the variation can be ignored. Let us imagine a route on which one railway-post-office car was run in 1909. In 1913 the one car is still run, but the weighing shows an increase in weight of, say, 50 per cent. The straight-space basis would give no increase in pay, but should there not be some increase in the pay if the net service rendered has increased 50 per cent? Such an occurrence would be less probable on routes which have attained a large tonnage. The following data are taken from the testimony of Mr. S. C. Scott (representing the Pennsylvania lines West, Hearings, p. 239):

*Pittsburgh to East St. Louis.*

| | 1897 | 1912 |
|---|---|---|
| Number of cars: | | |
| Storage | 4 | 8 |
| Railway post office | 15 | 20 |
| Weight of mail per car.....tons | 2.30 | 2.94 |
| Ton-miles per day | 27,858 | 53,048 |
| Amount received per car-mile.....cents | 20.80 | 20.32 |
| Amount received per ton-mile: | | |
| Net load.....cents | 9 | 7 |
| Car and contents.....mills | 4.80 | 3.19 |

Here the ton-miles per day have practically doubled, but the change in the average load per car is relatively small. The straight-space basis here would have paid the railroad one-half cent per car-mile more than the present law did, if 20.80 cents had been adopted as the rate per car-mile in 1897.

Neither would the average load per car basis have made much change in the rate in the preceding case, and this indicates one ad-

vantage of the average load per car over the average daily weight basis in that there would not be any need of such frequent weighings. Once in four years would be frequent enough.

Summarizing this part of the discussion, we may say that the space-weight basis has all the advantage of the space basis except the cost of the weighing, but this cost, as has just been indicated, would be comparatively slight because of the infrequency of the weighing period. It is only when simple weight is the basis of pay that an annual weighing is important. The arguments in favor of taking both space and weight into account are: (1) The cost of loading and unloading and possibly delay to trains is in proportion to weight of the mail, and transportation costs are somewhat affected by the heavier loads; (2) while the load may be small at present, it may change with the growth of the parcel post, not because parcel post is any less bulky than other mail—in fact, it is more so—but because it may demand relatively less distribution en route. The average load per car basis will meet any such future changes automatically; (3) we should have statistics of both ton-miles and car-miles, because (*a*) the load per car is a useful index for administrative supervision; (*b*) comparisons of rates with freight and express rates can thereby be made more intelligently.

The conclusion to be drawn on this point is that as against the weight basis alone, as found in the present law, the argument for a weight-space, or average load per car basis, is overwhelming, but as against the simple space basis it is only somewhat preferable, but still preferable. With a knowledge of the weight periodically, the objection that the space basis makes possible an extravagance of space would be minimized. (Hearings, p. 728.)

The second prominent feature of the plan under consideration is the variation in the rate for different lengths of haul. That mail cars differ greatly in the length of their runs is evident from an inspection of the Railway Mail Service time tables. Table 13 has been compiled to show the extent of the variation in three Railway Mail Service divisions. The New England division shows an average run of 133 miles as against 222 miles for a western division and 240 miles for the fifteenth division, being the through railway post offices and mails on the Pennsylvania Railroad and via other lines centering at Pittsburgh. The car-miles are also shown classified by zones to show the feasibility of a current record as a basis for paying the railroads. In this computation the lengths "needed" have been uniformly adopted. There may be some errors in the compilation, as one must be familiar with the details of the Railway Mail Service in each division to say in all cases just how far a certain car runs. The tables are shown here as an example of the kind of information needed for the plan under discussion and the practicability of obtaining it. It is assumed that no argument is necessary for compensating short runs at a higher rate than long runs. There are undeniably certain expenses which are independent of the distance run, such as the expenses for switching, for cleaning, and the interest and depreciation for time lost on account of short runs. A car will be idle more hours per day as a rule on short than on long runs.

TABLE 13.—*Car trips and car miles for one week for three divisions of the Railway Mail Service.*

[Apartments reduced to 60-foot standard.]

| Division. | Car trips. | Car miles. | Average miles per trip. | Car miles classified by zones. | | | |
|---|---|---|---|---|---|---|---|
| | | | | 50 miles and under. | 50–100 miles. | 100–200 miles. | 200 and over. |
| Fourteenth division: Nebraska, Wyoming, and Colorado | 560.2 | 124,296 | 222 | 1,244 | 7,450 | 28,456 | 87,146 |
| First division: Maine, New Hampshire, Massachusetts, Rhode Island, and Connecticut | 1,064.9 | 141,326 | 133 | 10,341 | 10,853 | 33,518 | 86,614 |
| Fifteenth division | 440.1 | 105,730 | 240 | 2,081 | 4,583 | 12,845 | 86,221 |

In order to obtain a preliminary working estimate of the average run of a mail car the results in the preceding table were supplemented by the data in Table 14 following. Weighting the average length of each class of routes by the car-foot miles in the several classes, we find the average length of the routes to be 214.6 miles, as against 70.05 for the unweighted average. But the 214.6 is not exact, because all cars do not run over exactly one route. We shall assume tentatively that the average run of a car is about 215 miles.

TABLE 14.—*Length of routes according to average daily weight and character of service.*

[From data in Document 105.]

| Classification according to average daily weight. | Total number of routes. | Total length of routes. | Average length of routes. | Car-foot miles. |
|---|---|---|---|---|
| | | *Miles.* | *Miles.* | |
| 211 pounds or less | 1,120 | 28,463.70 | 25.41 | 11,837,000 |
| 212 to 519 pounds | 681 | 24,281.73 | 35.66 | 15,817,000 |
| 520 to 1,019 pounds | 492 | 30,476.61 | 61.94 | 34,911,000 |
| 1,020 to 1,519 pounds | 232 | 19,104.68 | 82.35 | 31,038,000 |
| 1,520 to 2,059 pounds | 113 | 9,581.34 | 84.79 | 17,510,000 |
| 2,060 to 3,559 pounds | 178 | 29,368.00 | 164.99 | 49,599,000 |
| 3,560 to 5,079 pounds | 92 | 13,257.08 | 144.10 | 43,011,000 |
| 5,080 to 48,103 pounds | 361 | 63,649.94 | 176.32 | 396,529,000 |
| 48,104 pounds and over | 40 | 9,563.63 | 239.09 | 332,117,000 |
| Total | 3,309 | 227,746.71 | 68.83 | ..... |
| Weighted average, 214.6. | | | | |

| Character of service. | Total number of routes. | Total length of routes. | Average length of routes. |
|---|---|---|---|
| Closed pouch only | 955 | 16,982.48 | 17.78 |
| Apartment car only | 595 | 44,123.36 | 74.12 |
| Apartment car and closed pouch | 928 | 75,877.10 | 81.76 |
| Railway Post Office car, apartment car and closed pouch | 293 | 57,078.10 | 194.74 |
| Railway Post Office car only | 7 | 526.42 | 75.21 |
| Total | 2,778 | 194,587.46 | 70.05 |

The details of this plan are explained in connection with each section of the following bill, which is intended to be merely an outline and not a complete elaboration in legal form.

OUTLINE OF BILL ON WEIGHT-SPACE-DISTANCE BASIS.

SECTION 1. The Postmaster General shall determine the compensation due each steam railroad carrier in accordance with the rates specified herein, separately for the following groups of services: (1) All mail transportation services, except side and terminal services, on routes having Railway Post-Office car, apartment car, or storage-car service; (2) all side and terminal services; and (3) services on routes having closed-pouch service only.

COMMENT.—It is the intent of this section to include in the third group merely the routes having closed-pouch service only; that is, where there is no apartment, Railway Post-Office, or storage-car service, but not the trains having closed-pouch service on routes falling under group 1, because on such routes weighings are provided for, and the closed-pouch service can be weighed and treated as baggage-car mail, as indicated below. Still, it would be possible to include in group 3 all trains having only closed-pouch service, and this would be more consistent with the provisions in the following section:

SEC. 2. The Postmaster General shall ascertain for each steam railroad mail line (as defined in section 3 hereof) having Railway Post Office, apartment, or storage-car service, the average load per car (as defined in section 3 hereof) for the year 1915 and quadrennially thereafter. He shall further cause to be compiled currently for each mail line the "completed mail-car mileage" (as defined in section 3 hereof). He shall summarize the number of completed mail-car miles by classes of car loadings, and shall pay monthly the amount due each steam railroad company at the rates in the following schedule, side and terminal services to be compensated separately as hereinafter provided:

*Rate schedule.*

| Net load per car. | Combined initial and terminal charge for each one-way trip of a 60-foot car or equivalent thereof. | Additional distance charge for each mile run per 60-foot car or equivalent thereof. |
|---|---|---|
| | | *Cents.* |
| Under 1 ton | $3.00 | 20.20 |
| 1 to 2 tons | 3.25 | 20.54 |
| 2 to 3 tons | 3.50 | 20.87 |
| 3 to 4 tons | 3.75 | 21.20 |
| 4 to 5 tons | 4.00 | 21.54 |
| 5 to 6 tons | 4.25 | 21.87 |
| 6 to 7 tons | 4.50 | 22.21 |
| 7 to 8 tons | 4.75 | 22.54 |
| 8 to 9 tons | 5.00 | 22.87 |
| 9 to 10 tons | 5.25 | 23.21 |
| 10 to 11 tons | 5.50 | 23.54 |

EXPLANATION.—For example, with a load of 2½ tons the total charge for a distance of 215 miles would be: $3.50 plus (215×20.87 cents), which is $48.37½, equivalent to 22½ cents a mile for this distance.

COMMENT.—As explained on a previous page, a quadrennial weighing is sufficient, since the average load per car does not change rapidly. In constructing this table, 22½ cents per car-mile for the average load and distance was taken as the standard. The reasons for taking 22½ cents will be given subsequently in the discussion of the level of rates. The proper terminal charge is difficult to determine. The charges given in the table are subject to modification. They are intended to include switching, loading, cleaning, and interest and depreciation while standing idle at a terminal. It may be noted that the rehandling

of the average load en route is to be regarded as a line and not as a terminal charge, because the amount of such rehandling is affected by the number of stations served on the run. The variation in the distance charge for the different weights per car is in accordance with the gross tons, the tare weight of the car being taken as 60 tons.

The question of speed is discussed on page 895 below.

SEC. 3. *Definitions.*—The average load per car shall be the quotient obtained by dividing the tons of mail 1 mile by the number of cars 1 mile, as recorded during the statistical period. The cars 1 mile shall be one-sixtieth of the combined car-foot mileage of all cars authorized in accordance with section 4. For the purpose of obtaining this average on any mail line, the mail in baggage cars and space occupied by same shall be ignored, but the ton-mileage in such baggage cars shall be separately recorded. The statistical period shall consist of 105 days every fourth year, selected so that the results will be as nearly representative of the entire year as possible. The tons of mail 1 mile shall be ascertained from the actual weights of the mail and distances same was carried during the statistical period, but the Postmaster General may, after the weighing of 1915, which shall be universal for all sections of the country, confine the actual weighings to the larger stations on each mail line if he finds that the weights at the smaller stations can be satisfactorily estimated and added to the weights actually taken; but the estimated weight shall not exceed 10 per cent of the total. The completed cars 1 mile for the monthly record shall be one-sixtieth of the car-foot mileage run by cars authorized in accordance with section 4, increased by the per cent which the ton-mileage in baggage cars is of the remainder of the ton-mileage. (The number of one-way trips to be similarly defined.) A mail line on any steam railroad shall include all the mail service on trains of such road having the same initial point and a substantially continuous run to the same terminal point.

COMMENT.—The mail line as here defined is different from the present mail route, but need not interfere with the retention of those routes if such retention is desired by the Post Office Department. The mail line is an operating unit, while the present mail route is a geographical contract unit. The mail line may extend over several of the present routes, but the department can readily break up the pay by routes according to the miles run on each.

As here provided the average weight of mail in storage and railway post-office cars is not distinguished. It may be desirable to separate storage from other cars and have a separate rate table for them. As the mail is carried back and forth between storage and railway post-office cars en route, it may be thought impossible to separate the ton-mileage for each, but this could be done readily by noting during the weighing period the amounts loaded at the important stations on each mail line into each class of cars and the total ton-mileage could be divided in the proportion thus indicated. There would be good ground for making the storage-car less than the railway post-office rate, because of the smaller cost of storage cars, and also the rate on apartment cars might reasonably be more than in proportion to the rate on the full railway post-office car if it appears that roads can not use the remainder of the car in which the apartment is provided to any great extent. But consider also what was said on page 863. These are refinements which have been omitted in order not to obscure the general plan.

SEC. 4. *Authorizations and requests.*—On ———, 191—, the Postmaster General shall notify each operating carrier over the road of which he desires mail to be transported of his needs for postal-car facilities, stating the number, length, and type of cars, and the mail line upon which each is to be run. Each operating carrier is re-

quired forthwith to state to what extent it is able to furnish the precise equipment needed. Wherever the length of apartment or car needed coincides within 2 feet with the length which can be furnished, such length needed shall be authorized. Wherever the length of apartment or car needed does not coincide with the length which can be furnished within 2 feet, the authorization shall be for the smallest standard unit which will suffice for the needs of the department. The standard units shall be "15-foot apartment," "30-foot apartment," "60-foot railway post-office car," and "60-foot storage car." Authorizations may be for such period, not less than one month, as the Postmaster General may designate. The Postmaster General shall authorize subordinate officials in charge of the expedition of mails to request additional storage cars for temporary use upon short notice, and the car-foot mileage of such cars shall be included in the car-foot mileage upon which the payments to carrier are computed. Authorizations of full railway post-office storage or apartment cars shall be for round trips only, except that by mutual consent authorizations may be in one direction only.

COMMENT.—The question should be considered whether storage cars should be paid for in one direction only. The railroad company has control of them when empty and might have some use for them in the reverse direction. There would be no injustice in paying for the loaded movement only if the rate included a consideration of the average empty storage car movement as compared with the loaded movement. While some illustrations were given at the hearings, we have no comprehensive statistics on the subject.

SEC. 5. Side and terminal services shall be paid for separately, and the payment shall be the actual additional cost to the railroad company on account of such service. Disputes as to the amount of such costs shall be settled by the procedure outlined in section 7.

SEC. 6. On routes having exclusively closed-pouch service the payment shall be 1 cent per pouch, sack, or other piece of mail matter carried 1 mile. The pouch, sack, and piece mileage shall be ascertained annually from actual records kept for a period of not less than one month.

COMMENT.—In providing for payment on a pouch-mileage basis, the suggestion of Mr. C. H. McBride has been followed, although there may be some warrant for making a flat rate per pouch irrespective of distance, since the average length of the routes to which this section applies is about 18 miles.

The rate suggested is lower than the present rate. From Table 2 on page 852 it will be seen that the routes under 211 pounds have an average ton-mile rate of $1.49. As there are 100 pouches or sacks to the ton (taking the average weight at 20 pounds, as estimated by the Post Office Department) the present rate would be nearly 1½ cents per pouch per mile. But there should be a reduction because the side and terminal services are separately provided for. That it is not too low, however, is indicated by the fact that if we assume a load of only 1 ton of all classes of matter in a baggage car, we would have at this rate, since there are 100 pouches to the ton, a car-mile rate of $1, which is more than three times the average passenger-train car-mile earnings of Class III roads (see p. 892). That it is not burdensome to the department, however, is indicated by the fact that just as soon as the volume of traffic becomes large enough to lose its distinctly retail character, the department can protect itself by authorizing a storage or apartment car on such a route and putting a man in charge to unload the mail at the proper points.

SEC. 7. The Postmaster General or any mail carrier may bring complaint before the Interstate Commerce Commission concerning the rates herein provided for, or concerning any regulations or prac-

tices under this act, and the Interstate Commerce Commission shall consider such complaints in the same manner as in cases under the interstate-commerce act.

COMMENT.—If the question be raised whether it is expedient to make the acts of the Postmaster General subject to the approval of another branch of the Government other than the judicial branch, it may be replied that the Interstate Commerce Commission is a semi-judicial body, and it is no more unreasonable to have it pass upon questions concerning mail pay than it is to permit the Court of Claims to consider financial disputes between the Government and its citizens. Any change which the commission might make in the rate of pay for carrying the mails would probably not involve as great financial consequences as do the freight-rate adjustments which it makes every year. If a satisfactory bill can be drawn without this right of appeal, a decided advantage would be gained, from the social standpoint, in the saving of expense necessarily involved in litigation.

SEC. 8. Land-grant routes shall be paid for at rates 20 per cent lower than the rates which would otherwise prevail under this act.

SEC. 9. Rates for mail lines lying in whole or in major part in the Mountain Sates (Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona, and New Mexico) shall be ——— per cent higher than the rates which would otherwise prevail under this act.

COMMENT.—It seems reasonable to make some allowance for permanent disadvantages in operating conditions. In framing the recently promulgated express rates the Interstate Commerce Commission recognized five districts each entitled to a different rate level. But in the problem before us this seems unnecessary, because the classification of the mail lines in the first instance according to average load per car takes some account of differences in conditions. In this connection the car-mile expenses shown in Table 15 may be of interest.

SEC. 10. Any railroad company refusing to carry the mails upon request by the Postmaster General on regular passenger trains shall be subject to a fine of $——— for each day of such refusal.

SEC. 11. The rates herein specified shall include the transportation of persons in charge of the mails and of officials or employees of the Post Office Department while traveling for the purpose of inspecting or supervising the transportation of mails by steam railway.

COMMENT.—The mail service, being treated as a portion of the passenger train service, sharing in the expenses of same, should also share in the benefits; that is, if railway employees are carried free, postal employees should be carried free also.

## V. THE DETERMINATION OF THE RATE LEVEL.

### IS THE COMMERCIAL PRINCIPLE THE PROPER BASIS OF JUDGMENT?

No answer can be given to the question whether the railways are underpaid until it has been decided whether the Government should pay the same rate that could be reasonably asked of a private shipper, or whether it should be regarded as entitled to preferential treatment. Both views were brought in the hearings.

Thus, Second Assistant Postmaster General Stewart says that we should—

Consider what it is worth to the railroad companies to carry the United States mails and what they owe the Government of the United States, what they owe the people, what they owe the country at large for their privilege of maintaining their corporate existence and receiving public grants of land, rights of way, and performing practically a monopoly of the transportation service of the country.

He continues:

Those things, I think, are very potent in the consideration of the subject, and I think very earnest consideration should be given to what the value of those intangible elements are, and that what you might call the fair commercial or business gauge of the service should be reduced by such an amount as would fairly represent those very material elements that should be concerned in the matter (pp. 656–657).

Again, the possession of the right of eminent domain was suggested as a ground for making a special rate to the Government (p. 543). A somewhat different argument for a special price was also suggested in the hearings (pp. 231 and 265) to the effect that the transportation company receives an indirect benefit through the facilitation of business by improved mail service.

Again, it was suggested that railroads receive protection in case of strikes on account of carrying the mails (p. 229).

The opposite views are expressed as follows in the brief for the railroads (p. 730):

The further idea has been advanced that on account of carrying the mails the railways enjoy the power of eminent domain and the protection of the Government in case of strikes, and that therefore they should carry the mail for less than what would be a full compensation therefor. The same reasons would apply equally to all other carrying functions of the railways. They enjoy the power of eminent domain because they are common carriers of passengers and freight and they enjoy the protection of the Federal Government because they are instrumentalities of commerce among the States. If these are reasons for their being paid less than full compensation for their services, the reduction of compensation can not be restricted to the mails. If the power of eminent domain and the governmental protection operated as an excuse for giving the railways less than just compensation, then there would be no inducement whatever for anybody to invest his capital in the construction and operation of railways.

The railways owe to the public, and to every member of the public, the duty to transport all passengers and all commodities seeking their services efficiently and safely and at just and reasonable rates. This is the highest of obligations, and the sum of their obligations to the individual members of the public is their obligation to the Government. They owe no obligation to the State which is separate or apart from, or independent of, or inconsistent with their obligations to individual applicants for their services. They can have no obligation to the people's Government which could require them, except when necessary to the public defense, to discriminate in rates in favor of traffic offered by the Government when, in order to offset such unnecessary discrimination, they would be compelled to collect higher charges from some members of the public and upon other traffic. Words better adapted to the assertion of this principle could not be chosen than those used to express it by the Joint Commission to Investigate the Postal Service, which reported in 1901. We quote:

"It seems to the commission that not only justice and good conscience but also the efficiency of the postal service and the best interests of the country demand that the railway mail pay shall be so clearly fair and reasonable that while, on the one hand, the Government shall receive a full quid pro quo for its expenditures and the Public Treasury be not subjected to an improper drain upon its funds, yet, on the other hand, the Railway Mail Service shall bear its due proportion of the expenses incurred by the railroads in the maintenance of their organization and business as well as in the operation of their mail trains." (S. Doc. No. 89, 56th Cong., 2d sess., p. 10.)

The following further expression of opinion by the Wolcott Commission is directly to the point:

The commission, therefore, believes that the determination whether the present railway mail pay is excessive or not should be reached, as near as may be, upon a business basis and in accordance with the principles and considerations which control ordinary business transactions between private individuals (Part I, p. 10).

It seems desirable that in our social bookkeeping each institution or service should stand on its own bottom so far as possible. If it needs special financial assistance, that assistance should be given directly for its own benefit. If the Post Office Department shows a deficit when it is charged a fair commercial rate for the materials and services it buys, we do not eliminate, we merely hide that deficit if we reduce the mail pay; that is, we permit the department to meet the deficit by an indirect tax on the passenger and freight services to the extent that a cut in mail pay could be recouped from the other services.

Whatever policy of taxation had best be adopted in meeting a possible deficit in the postal administration, it would seem necessary first to answer the question whether the railways are over or under paid on the basis of the commercial principle as the prima facie correct principle. Whether it is deemed desirable to pay less than this amount, with the expectation that passenger or freight rates should be correspondingly increased, is a matter of public policy in the field of taxation and need be decided at this stage of our inquiry.

The suggestion was also made that the mail service should be considered as a by-product (pp. 230 and 591–593) and it should pay to the railroads only the additional expense it occasions, assuming that the passenger trains are in operation before the mail is taken into account. The idea may be expressed in this way: Suppose all the mail carried by the New York Central, for example, was sent by parallel routes. How much would the expense to that company be reduced, allowing sufficient time for it to dispose of all mail cars, station mail facilities, etc.? That would be the mail cost viewed as a by-product. While the idea is a definite one, it is not logical to apply it in the present connection if we are proceeding on the basis of the commercial principle, because the mail service is not a by-product any more than the express service is a by-product or than the whole passenger service is a by-product of the freight service, or than the freight service is a by-product of the passenger service. It would seem equitable to make each service share in the cost of the facilities which it uses jointly with other services.

### COST OF SERVICE AS A GUIDE TO WHAT IS A FAIR PAYMENT UNDER THE COMMERCIAL PRINCIPLE.

The testimony taken by the committee contains much concerning the difficulties of ascertaining the cost of the mail service to the railroads, but it is safe to say that the hearings developed no method of testing the adequacy or inadequacy of railway-mail pay not resting, in the last analysis, upon some estimate of the cost of service. While cost may not be capable of that exact ascertainment which enables us to make it the sole determinant factor on which to base the rate of pay for each road, the usefulness of a cost estimate seems clear if used merely as a general guide to help us to decide whether the fifty-odd millions which the railroads receive from the Post Office Department constitutes an excessive payment or not. It is true, a subcommittee of the Association of American Railway Accounting Officers says that "no appreciable benefit" can come to a public commission from having even a partial separation of operating expenses

as between the passenger and freight services (p. 632), but, on the other hand, consider the following testimony (p. 646):

The CHAIRMAN. How are you gentlemen able to demonstrate that you are insufficiently paid by the Government, which, I understand, is your contention, unless you use costs to the transportation company in reaching your conclusions upon which you claim your demonstration?

Mr. PEABODY. We can not.

The CHAIRMAN. So that cost is a factor?

Mr. PEABODY. Cost is a factor to determine whether or not we are properly paid as a whole, yes, for each individual road; but how far you can use that, as a common basis, is a very serious question.

The CHAIRMAN. What are the factors that you take into consideration by which you come to your conclusion that you are underpaid?

Mr. PEABODY. I never have made any figures except in connection with the Santa Fe road proper. We use the cost there to determine we are underpaid, and we have on file in the record a statement showing the basis that we did use and showing the returns to the railroads are not remunerative.

The CHAIRMAN. Then, with the Atchison System, cost is your primary factor in your determination?

Mr. PEABODY. So far as the minimum rate is concerned, yes.

Moreover, in addition to the Santa Fe, whose statistician was just quoted, representatives of the Pennsylvania Railroad, the Burlington, the New Haven, the Grand Trunk, and the Southern Pacific placed before the present committee estimates of the cost of performing the mail service on their respective roads with the idea of demonstrating that the railways are underpaid for carrying the mails. "I think that the principle of additions to profits beyond operating cost and fair charges against the capital expenditures could be easily developed," said Mr. Buckland, of the New Haven (p. 275). Mr. Worthington, of the Southern Pacific, says (p. 348): "There is no reason why the adequacy of the pay as a whole can not be gauged in some way at an estimated cost, but I would not say that as a rate-making proposition." The representatives of the Post Office Department seem also to have come to the conclusion that there is no other way to test the fairness of the railway-mail pay than by estimates of what the service costs the railroads, cost being one of the leading features of the bills which they have proposed. The railroad representatives, while admitting that cost estimates might be used to decide whether the payment as a whole is adequate or not, nearly always qualified their statements by saying that they did not think the cost should be the determinant basis for each individual railroad, while the bills submitted by the former Postmaster General do so provide. It was, indeed, suggested by some representatives of the railroads that the value of the service was the important factor in determining the total amount to be paid by the Post Office Department, but how intangible this becomes is shown by the discussion beginning with the middle of page 653 of the hearings. However important value of service may be in adjusting rates to private shippers in accordance with what the traffic will bear, it does not help us in determining what the Government should pay to the railroads as a whole. If necessary, it could pay $100,000,000 for the present service received. While value of service may be considered in comparing the pay of one road with that to another, to avoid favoritism to one as compared with another, we must reject that principle in reaching a conclusion as to whether the roads as a whole are overpaid or underpaid.

When we are dealing, as here, with corporations rendering important public services, the price for which can not be regulated by competition, the measure of what is a just payment is what is necessary to evoke a continued high quality of service—that is, the necessary payments to cover wages, salaries, fuel, and all other operating expenses, together with what is necessary to attract the required investment of capital. This means that we must pay primary attention to the cost in the complete sense. This is not the place to enter into a lengthy discussion of the theory of railroad rates, and in view of the statements regarding cost of service made by representatives of both the railroads and the post office, no further defense need be given for taking cost as the primary factor in determining whether the railroads are overpaid or underpaid. If the present committee, after considering the discussions regarding cost, should adopt that basis as the ultimate determinant of what is a fair payment to the railroads, its conclusion would not be without precedent in this matter. The following is from the majority report of the Wolcott Commission. After referring to the division of expenses between freight and passenger and then between the three branches of the passenger service, they say:

> We are of the opinion that this means of arriving at the cost of the transportation of the mails affords the safest method by which to reach a just approximation or estimate of the cost to the railroads of transporting the mails. All the parts or classes of the railroad business are so intimately interwoven the one with the other and the accounts of the railroads are, from the nature of the business, so intermingled that it is impossible, and unreasonable to expect, that the amounts properly and solely chargeable to the freight department on the one hand and to the passenger department on the other can be segregated from each other with absolute accuracy. We are, however, of the opinion that, upon principles recognized and practiced by all railroad companies, the expenses to be chargeable to one or the other department, and the revenue to be credited to each, can be arrived at with sufficient certainty to do no injustice to either, and that in the same way a fair division of the expenses and receipts can be made between the three classes of the passenger department.
>
> The commission, therefore, has arrived at its conclusion largely by this method, giving due consideration to whatever light seems to be thrown upon the question by the other facts appearing in the testimony. (Pt. I, pp. 13 and 14.)

This does not mean that we can get no assistance from a comparison of earnings from the mail and other passenger train services. It simply means that such comparisons are not convincing unless we know that the rates with which we are comparing mail rates are not excessive, and to ascertain this means some prior determination of cost. In view of the fact that the passenger rates of this country have frequently been investigated on a cost basis by our courts and State railroad commissions, a good deal of weight should be given to the comparative earnings from the mail cars and other passenger-train cars. It may be of interest to note that in 1883 the Elmer-Thompson-Slater committee (a committee appointed by the Postmaster General under an act of Congress) adopted the principle "that a rate of pay which will in general yield the railroad companies carrying the mails a return per car-mile run, not differing materially in amount from the returns now realized by these same corporations from the running of their passenger trains, can not be other than just and reasonable." (48th Cong., 1st sess., Ex. Doc. No.

35, p. 13.) They also quote the following, from an early decision of the Supreme Court of the United States:

Viewed as a question of law, it is impossible to say that either of these rules of computation is the true one. The question is, What is a fair and reasonable rate of compensation? And in reference to that we adopt the opinion of the Court of Claims as thus expressed:

"Construing the statute as we do, we think the court would not be limited, in an action where it was compelled to estimate damages, to the rates charged by the companies to private parties for a single kind of similar service. We think that a court or jury would be authorized to look over the entire field of service in determining what was a fair and reasonable charge for a kind which was similar to but not identical with any other. For instance, if it should appear that the receipts of passenger cars were less than the receipts of postal cars, and the cost and running expenses no greater, we are inclined to think that that fact might be a proper element in the problem of estimating the amount of fair and reasonable rates of compensation." (Union Pacific Railroad Co. *v.* The United States, 14 Otto, 667.)

A. EVIDENCE AS TO THE COST OF THE SERVICE.

It will be well to define, in the first place, just what is meant by cost. We may have in mind a restricted meaning or a complete meaning. A restricted meaning would include merely the wages paid, the repair of equipment, the cost of fuel, the maintenance of the rails, ties, etc.; in short, the current expenses of operation and upkeep, or what is known in the official reports as the operating expenses. If a railroad collected only this amount from its patrons it would go into bankruptcy. It needs additional money for the following purposes: It must pay taxes, it must pay interest, and, if it is not to discourage new investment, it must pay dividends, and, furthermore, it must have a surplus to carry it through the lean years. When all these items have been added to operating expenses we have cost in the complete sense; in short, operating expense plus taxes and return on investment.

To put this in concrete form, the relation of these railways of the items may be shown for the United States as a whole:

| Year ending June 30, 1911: | |
|---|---|
| Operating expenses (including salaries and maintenance of organization of nonoperating companies) | $1,976,750,851 |
| Taxes | 108,309,512 |
| Interest, rents, etc. (net deductions) | 389,105,963 |
| Dividends | 291,497,164 |
| Appropriations for additions and betterments, new lines or extensions, and other reserves | 70,156,077 |
| Increase in profit and loss balance | 91,669,663 |
| Total operating revenues and net credit adjustments through profit and loss | 2,927,489,230 |

From this table it is readily calculated that for every $1 of operating expenses it is necessary for the roads as a whole to have 5.5 cents for taxes and 19.7 cents for interest and other charges before they can think of paying any dividends or making any improvements. In other words, 25.2 cents at least must be allowed in addition to every dollar of operating expense to keep the roads from bankruptcy. This provides an average of 4.18 per cent on the funded debt. How much additional must be allowed for dividends and surplus will not be known until a valuation has been made of the roads. But these

considerations are sufficient to show that the original suggestion of the Post Office Department that 6 cents be added to each dollar of operating expense and taxes was entirely too low.

In the following discussion we shall first consider the operating expenses alone, excluding taxes.

We shall first concern ourselves with the operating expense per passenger-train car-mile, leaving to subsequent considerations the correction necessary to get the expense of a mail car-mile as compared with other passenger-train miles.

### B. OPERATING EXPENSES ACCORDING TO DOCUMENT 105.

From Table 7 in Document 105 we get the following data for the roads reporting:

| | |
|---|---|
| Month of November, 1909: | |
| Total operating expenses, passenger and freight | $130,148,881 |
| Taxes | 7,206,270 |
| Total | 137,355,151 |
| Operating expenses chargeable to passenger traffic | 38,016,625 |
| Taxes chargeable to passenger traffic | 2,105,022 |
| Total | 40,121,647 |

From Table 3 in Document 105 we are able to ascertain the car-miles made in the passenger trains, although the total car mileage given in that table must first be reduced, because this table contains more roads than those which could be included in Table 7. This can be done approximately because both tables happen to contain one item in common—the total mail car-foot miles. By this means we get a car mileage of 205,170,262 for the month. Dividing this into the $38,016,625, we have a passenger-train car-mile operating expense, excluding taxes, of 18.5 cents. The railroad companies will criticize this figure aside from the fact that it represents the business of a single month nearly four years ago, on the ground that the department divided common expenses between the freight and passenger services by what it calls the "direct-charge" method, which assigns a smaller percentage to the passenger service than does the revenue train-mile method most commonly employed by the railroad companies.

### C. RESULT OF THE SPECIAL REPORTS MADE TO THE INTERSTATE COMMERCE COMMISSION FOR THE YEAR ENDING JUNE 30, 1912.

Sixty-four railroads reported a complete separation of their operating expenses as between freight and passenger services in a special report required by the Interstate Commerce Commission in 1913. With few exceptions, the apportionment was not made for this particular purpose, the roads being asked to give the results as they had made them for their own purposes. The methods employed are not uniform, as uniform rules for this purpose have not been prescribed by the Interstate Commerce Commission, but the prevailing method of dividing common expenses is based on revenue train miles. Nevertheless, we have here the estimate as made by each road for itself, and

without taking the result as final, it will be of interest to see what the average for all the roads taken together is. It should be noted that in many cases railroad officials in making their report remarked that they did not use these results for rate-making purposes, but simply for comparative purposes from year to year. The average operating expense per passenger-train car-mile for all of these roads taken together for the year ending June 30, 1912, was 19.41 cents. This result is probably somewhat lower than it would have been if all roads had been included, because among the omitted roads are those in the New England States and the Pennsylvania Railroad, which have a higher operating expense per car-mile than the above average. This is indicated by the fact that the average passenger car-mile revenue of 62 roads was 23.9 cents as against 25.4 for the country as a whole.

TABLE 15.—*Analysis of operating expenses for all roads reporting a complete or partial separation of operating expenses between the passenger and freight services, for year ending in 1912.*

[From special reports to the Interstate Commerce Commission.]

| Name of road. | Miles operated in passenger service. | Passenger train car miles (regular and special.) Revenue service.[a] | Passenger service operating expenses, as reported by each company. | | Maintenance of equipment and transportation expenses, passenger service. | | Accounts 80, 82, and 88 (road enginemen, fuel, and trainmen), passenger service. | | Revenue per passenger mile.[b] | Passengers per car.[b] | Operating expenses per train-mile, freight and passenger.[b] | Passenger service train revenue per car mile.[c] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Total. | Per car mile. | Total. | Per car mile. | Total. | Per car mile. | | | | |
| | | | *Dollars.* | *Cents.* | *Dollars.* | *Cents.* | *Dollars.* | *Cents.* | *Cents.* | | *Cents.* | *Cents.* |
| Ala. & Vicks. Ry. Co | 143 | 1,956,192 | | | | | 99,232 | 5.07 | 2.52 | 13 | 161.8 | 28.5 |
| A. G. Sou. R. R. Co | 309 | 5,930,416 | | | | | 215,790 | 3.64 | 2.10 | 14 | 155.1 | 23.3 |
| Arizona East R. R. Co | 364 | 972,249 | | | | | 75,865 | 7.80 | 4.18 | 14 | 205.6 | 50.5 |
| A., T. & S. Fe Ry. Co | 7,868 | 118,858,064 | 21,577,921 | 18.2 | 12,986,609 | 10.9 | 4,668,855 | 3.93 | 2.12 | 14 | 165.2 | 24.7 |
| A. & West P. R. R. Co | 86 | 1,798,297 | | | | | 78,618 | 4.37 | 2.03 | 20 | 158.6 | 31.0 |
| A. B. & Atl. R. R. Co | 658 | 3,933,958 | 655,120 | 16.7 | 472,662 | 12.0 | 185,025 | 4.70 | 2.21 | 11 | 111.3 | 19.6 |
| A. City R. R. Co | 164 | 5,203,926 | | | | | 398,573 | 7.66 | 1.24 | 21 | 115.5 | 25.0 |
| B. & O. R. R. Co | 4,455 | 84,046,406 | 16,767,043 | 20.0 | 10,713,537 | 12.7 | 3,125,252 | 3.70 | 1.93 | 13 | 169.2 | 21.7 |
| B. & L. E. R. R. Co | 205 | 1,823,354 | 413,444 | 22.7 | 268,038 | 14.7 | 110,653 | 6.07 | 1.54 | 12 | 205.4 | 22.0 |
| B. & Sus. R. R. Co | 265 | 475,697 | 130,213 | 27.4 | 92,280 | 19.4 | 29,932 | 6.29 | 2.68 | 9 | 132.9 | 26.9 |
| B., R. & P. Ry. Co | 503 | 4,704,979 | 1,335,500 | 28.4 | 815,409 | 17.3 | 295,623 | 6.28 | 2.07 | 15 | 163.6 | 25.9 |
| B. A. & Pac. Ry. Co | 25 | 285,673 | 88,682 | 31.0 | 78,311 | 27.4 | 31,300 | 10.96 | 2.64 | 20 | 289.1 | 41.2 |
| C., C. & Ohio Ry. Co | 248 | 1,083,513 | | | | | 53,202 | 4.91 | 2.42 | 9 | 166.9 | 16.3 |
| Central of Ga. Ry. Co | 1,915 | 16,148,167 | | | | | 693,766 | 4.30 | 2.12 | 15 | 148.1 | 27.3 |
| C. R. R. Co. of N. J | 505 | 19,922,311 | 4,302,730 | 21.6 | 3,303,891 | 16.6 | 1,591,961 | 7.99 | 1.47 | 27 | 172.3 | 30.1 |
| C. & O. Ry. Co | 2,263 | 26,238,288 | | | | | 1,042,580 | 3.97 | 2.18 | 12 | 163.9 | 25.3 |
| C. & A. R. R. Co | 1,026 | 18,403,201 | 3,775,244 | 20.5 | 2,507,149 | 13.6 | 733,364 | 3.98 | 1.95 | 17 | 151.8 | 26.6 |
| C. & E. R. R. Co | 270 | 7,219,687 | 1,124,897 | 15.6 | 742,043 | 10.3 | 269,997 | 3.74 | 1.75 | 12 | 158.8 | 14.7 |
| C. & N. W. Ry. Co | 7,859 | 107,267,461 | 19,493,107 | 18.2 | 13,274,803 | 12.4 | 5,441,304 | 5.07 | 1.81 | 16 | 142.9 | 23.2 |
| C., B. & Q. R. R. Co | 9,074 | 113,239,997 | 20,108,690 | 17.8 | 12,752,905 | 11.3 | 4,403,554 | 3.89 | 1.92 | 15 | 173.4 | 23.6 |
| C. & E. Ill. R. R. Co | 1,275 | 17,735,835 | 2,891,522 | 16.3 | 1,995,714 | 11.3 | 627,133 | 3.54 | 1.79 | 14 | 150.8 | 21.6 |
| C. G. W. R. R. Co | 1,496 | 16,363,805 | | | | | 830,033 | 5.07 | 2.01 | 13 | 165.4 | 22.3 |
| C., M. & St. P. Ry. Co | 7,511 | 84,249,465 | 17,451,772 | 20.7 | 12,246,739 | 14.5 | 5,544,594 | 6.58 | 2.04 | 13 | 149.6 | 21.6 |
| C., M. & P. S. Ry. Co. | 2,059 | 18,386,095 | 3,416,120 | 18.6 | 2,481,708 | 13.5 | 1,340,606 | 7.29 | 2.45 | 9 | 151.2 | 16.6 |
| C., R. I. & P. Ry. Co | 7,560 | 96,649,872 | 17,622,053 | 18.2 | 11,518,485 | 11.9 | 4,615,903 | 4.78 | 1.97 | 13 | 133.8 | 22.5 |
| C., R. I. & G. Ry. Co | 477 | 4,203,434 | 740,259 | 17.6 | 453,849 | 10.8 | 230,119 | 5.47 | 2.26 | 10 | 138.6 | 18.7 |
| C., H. & D. Ry. Co | 896 | 9,838,134 | 2,488,067 | 25.3 | 1,898,703 | 19.3 | 473,814 | 4.82 | 1.60 | 14 | 156.8 | 21.0 |
| C., N. O. & T. Pac. Ry. Co | 337 | 9,567,926 | | | | | 357,861 | 3.74 | 2.11 | 13 | 160.2 | 22.3 |
| Col. & So. Ry. Co | 1,117 | 5,710,980 | 1,407,651 | 24.6 | 906,864 | 15.9 | 303,962 | 5.32 | 2.52 | 13 | 176.4 | 28.2 |
| Col. Mid. Ry. Co | 338 | 1,883,160 | 389,675 | 20.7 | 295,342 | 15.7 | 134,281 | 7.13 | 2.45 | 10 | 187.2 | 21.9 |
| C. Valley R. R. Co | 162 | 2,748,334 | 795,422 | 28.9 | 467,223 | 17.0 | 141,037 | 5.13 | 1.85 | 18 | 143.6 | 28.1 |
| D. & Rio G. R. R. Co | 2,551 | 25,989,372 | 5,296,932 | 20.4 | 3,338,933 | 12.8 | 1,486,887 | 5.72 | 1.93 | 14 | 185.7 | 21.7 |
| D., N. W. & Pac. Ry. Co | 215 | [d] 222,828 | [d] 94,964 | 42.6 | [d] 56,201 | 25.2 | [d] 20,682 | 9.28 | 3.44 | 19 | 191.0 | 55.0 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| D., T. & I. Ry. Co | 441 | 1,161,309 | 235,884 | 20.3 | 188,285 | 16.2 | | | 1.73 | 8 | 105.3 | 18.2 |
| D., S. S. & Atl. Ry. Co | 544 | 4,028,647 | 867,542 | 21.5 | 482,978 | 12.0 | 239,721 | 5.95 | 2.47 | 12 | 127.9 | 26.0 |
| El Paso & S. W. Co | 902 | 6,543,235 | 703,446 | 10.8 | 531,732 | 8.13 | 264,509 | 4.04 | 3.09 | 7 | 160.2 | 18.7 |
| Erie R. R. Co | 1,790 | 54,435,435 | 9,528,961 | 17.5 | 6,545,158 | 12.0 | 2,160,689 | 3.97 | 1.56 | 18 | 164.5 | 21.4 |
| Fla. E. C. Ry. Co | 605 | 8,638,436 | 1,605,177 | 18.6 | 1,125,398 | 13.0 | | | 2.76 | 11 | 149.1 | 25.4 |
| Ft. W. & D. City Ry. Co | 454 | 5,284,148 | 1,047,373 | 19.8 | 727,921 | 13.8 | 250,634 | 4.74 | 2.52 | 14 | 151.5 | 30.9 |
| Ga. So. & Fla. Ry. Co | 395 | 4,959,747 | | | | | 237,203 | 4.78 | 2.20 | 12 | 133.3 | 22.0 |
| G. R. & Ind. Ry. Co | 575 | 8,401,843 | 1,533,073 | 18.2 | 1,087,797 | 12.9 | 376,511 | 4.48 | 1.88 | 14 | 133.1 | 23.5 |
| Great Nor. Ry. Co | 7,289 | 69,522,668 | 14,035,743 | 20.2 | 8,512,500 | 12.2 | 3,413,119 | 4.91 | 2.49 | 13 | 171.1 | 25.7 |
| H. Valley Ry. Co | 340 | 3,526,557 | | | | | 157,599 | 4.47 | 1.68 | 20 | 188.9 | 29.9 |
| Ill. Central R. R. Co | 4,763 | 75,364,922 | | | | | 3,043,754 | 4.04 | 1.88 | 14 | 154.8 | 22.3 |
| Inter. & G. Nor. Ry. Co | 1,144 | 10,523,849 | 2,179,072 | 20.7 | 1,479,773 | 14.1 | 550,768 | 5.23 | 2.40 | 15 | 160.1 | 26.4 |
| Kan. City So. Ry. Co | 827 | 7,834,797 | | | | | 386,078 | 4.93 | 2.51 | 11 | 179.7 | 25.0 |
| L. & H. River Ry. Co | 88 | 253,494 | 107,750 | 42.5 | 78,662 | 31.0 | 36,091 | 14.24 | 2.39 | 8 | 155.8 | 24.5 |
| L. Valley R. R. Co | 1,441 | 25,744,790 | | | | | 1,367,848 | 5.31 | 1.78 | 15 | 186.3 | 21.2 |
| L. & Nash. R. R. Co | 4,633 | 54,201,101 | 10,478,182 | 19.3 | 6,494,654 | 12.0 | 2,026,392 | 3.74 | 2.30 | 14 | 141.0 | 27.3 |
| La. Ry. & Nav. Co | 334 | 1,451,033 | 318,391 | 21.9 | 209,022 | 14.4 | 90,020 | 6.20 | 3.16 | 8 | 154.5 | 23.0 |
| M. Valley R. R. Co | 360 | 1,636,082 | 510,230 | 31.2 | 261,138 | 16.0 | 78,973 | 4.83 | 2.60 | 15 | 145.7 | 30.8 |
| M. & St. L. R. R. Co | 1,440 | 7,311,182 | 1,323,394 | 18.1 | 955,834 | 13.1 | 414,346 | 5.67 | 2.07 | 14 | 131.8 | 23.8 |
| M. St. P. & Ste. M. Ry. Co | 3,277 | 30,255,274 | 5,007,371 | 16.6 | 3,236,725 | 10.7 | 1,346,904 | 4.45 | 2.12 | 13 | 135.5 | 22.6 |
| Mo. Pac. Ry. Co | 3,874 | 30,331,601 | 6,751,409 | 22.3 | 4,577,664 | 15.1 | 1,607,499 | 5.30 | 2.05 | 11 | 152.8 | 20.2 |
| M. & Ohio R. R. Co | 876 | 8,919,057 | | | | | 389,814 | 4.37 | 2.20 | 13 | 134.9 | 20.7 |
| Monongahela R. R. Co | 59 | 243,442 | 52,803 | 21.7 | 46,180 | 19.0 | 20,892 | 8.58 | 2.88 | 6 | 265.1 | 16.0 |
| N. C. & St. L. Ry. Co | 1,241 | 15,007,119 | | | | | 577,049 | 3.85 | 2.33 | 12 | 138.7 | 23.8 |
| N. O. & N. E. R. R. Co | 204 | 3,374,526 | | | | | 144,999 | 4.30 | 2.33 | 14 | 164.2 | 23.9 |
| New O., Tex. & Mex. R. R. Co | 272 | 1,364,873 | 600,777 | 44.0 | 357,521 | 26.2 | 81,881 | 6.00 | 2.23 | 9 | 209.1 | 18.5 |
| N. Y. C. & H. R. R. R. Co | 3,305 | 160,982,906 | | | | | 6,766,006 | 4.20 | 1.77 | 16 | 159.6 | 25.0 |
| N. Y. Sus. & W. R. R. Co | 149 | 3,287,510 | 707,489 | 21.5 | 517,286 | 15.7 | 230,883 | 7.02 | 1.14 | 16 | 146.6 | 26.4 |
| Norfolk & West. Ry. Co | 2,010 | 22,865,028 | 3,835,986 | 16.8 | 2,575,358 | 11.3 | 785,659 | 3.44 | 2.14 | 14 | 163.6 | 23.2 |
| North. Pac. Ry. Co | 6,025 | 72,739,981 | 14,072,704 | 19.3 | 9,175,257 | 12.6 | 3,905,743 | 5.37 | 2.36 | 14 | 179.4 | 24.6 |
| N. W. Pac. R. R. Co | 340 | 4,865,176 | 1,707,029 | 35.1 | 1,165,494 | 24.0 | 260,039 | 5.34 | 1.63 | 30 | 169.7 | 44.5 |
| O. Short Line R. R. Co | 1,722 | 21,399,886 | | | | | [e] 930,656 | [e] 4.35 | 2.54 | 14 | 166.0 | 26.2 |
| Pere Marq. R. R. Co | 2,199 | 17,579,977 | 5,283,198 | 30.1 | 4,137,232 | 23.5 | | | 1.80 | 18 | 146.6 | 28.2 |
| Pa. Company | 1,583 | 55,416,856 | 10,195,175 | 18.4 | 6,697,070 | 12.1 | 2,066,106 | 3.73 | 1.88 | 13 | 170.8 | 21.7 |
| Phila. & R. Ry. Co | 910 | 29,067,213 | | | | | 1,837,669 | 6.32 | 1.73 | 17 | 176.4 | 28.1 |
| P. C., Chi. & St. L. Ry. Co | 1,467 | 47,263,223 | 8,312,422 | 17.6 | 5,505,735 | 11.6 | 1,856,087 | 3.93 | 1.85 | 14 | 156.8 | 23.1 |
| P. S. & Nor. R. R. Co | 240 | 720,141 | 103,424 | 14.4 | 90,280 | 12.5 | 46,192 | 6.41 | 2.59 | 6 | 128.4 | 16.5 |
| R. F. & P. R. R. Co | 88 | 4,902,167 | 765,980 | 15.6 | 519,704 | 10.6 | 205,810 | 4.20 | 2.36 | 9 | 128.7 | 24.9 |
| St. L. & San F. R. R. Co | 4,588 | 50,090,095 | 10,929,424 | 21.8 | 7,503,365 | 15.0 | 2,345,903 | 4.68 | 2.42 | 13 | 133.2 | 25.9 |
| St. L., San F. & T. Ry. Co | 244 | 1,884,911 | 494,485 | 26.2 | 279,632 | 14.8 | 108,881 | 5.78 | 2.45 | 9 | 162.1 | 20.5 |
| St. L., B. & Mex. Ry. Co | 499 | 3,249,850 | 745,096 | 22.9 | 445,096 | 13.6 | 171,188 | 5.27 | 2.23 | 13 | 131.4 | 26.2 |
| St. L., I. M. & So. Ry. Co | 3,202 | 30,981,690 | 6,405,698 | 20.7 | 3,973,534 | 12.8 | 1,207,158 | 4.54 | 2.54 | 12 | 161.9 | 24.4 |
| St. L. So. West. Ry. Co | 810 | 6,151,116 | 1,356,051 | 22.0 | 815,919 | 13.3 | 250,775 | 4.08 | 2.66 | 12 | 172.4 | 26.1 |
| St. L. S. W. Ry. Co. of Texas | 703 | 4,645,187 | 1,168,441 | 25.2 | 743,130 | 16.0 | 255,025 | 5.49 | 2.58 | 13 | 170.9 | 25.7 |
| S. A. Line Ry | 3,059 | 29,329,943 | 5,448,686 | 18.6 | 3,377,140 | 11.5 | 1,257,776 | 4.29 | 2.18 | 12 | 143.7 | 21.9 |
| So. Pac. Company | 6,220 | 125,714,461 | | | | | [e] 5,427,640 | [e] 4.32 | 2.22 | 16 | 170.9 | 28.6 |
| Southern Ry. Co | 7,088 | 87,067,375 | | | | | [f] 3,689,667 | [f] 4.24 | 2.15 | 13 | 129.8 | 23.7 |
| So. Ry. Co. of Miss | 281 | 1,552,163 | | | | | 80,889 | 5.21 | 2.55 | 14 | 138.7 | 25.7 |

[a] Partly from Preliminary Abstract of Railways, 1912, Interstate Commerce Commission.
[b] From Preliminary Abstract of Railways, 1912.
[c] Passenger service train revenue divided by total passenger train car miles, revenue service.
[d] Five months' period.
[e] Does not include mixed train expenses.
[f] Does not include $176,087 chargeable to mixed train service.

TABLE 15.—*Analysis of operating expenses for all roads reporting a complete or partial separation of operating expenses between the passenger and freight services, for year ending in 1912*—Continued.

| Name of road. | Miles operated in passenger service. | Passenger train car miles (regular and special). Revenue service. | Passenger service operating expenses, as reported by each company. | | Maintenance of equipment and transportation expenses, passenger service. | | Accounts 80, 82, and 88 (road enginemen, fuel, and trainmen), passenger service. | | Revenue per passenger mile. | Passengers per car. | Operating expenses per train mile, freight and passenger. | Passenger service train revenue per car-mile. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Total. | Per car mile. | Total. | Per car mile. | Total. | Per car mile. | | | | |
| | | | *Dollars.* | *Cents.* | *Dollars.* | *Cents.* | *Dollars.* | *Cents.* | *Cents.* | | *Cents.* | *Cents.* |
| S. P. & S. Ry. Co | 542 | 6,765,364 | 1,493,110 | 21.1 | 959,631 | 14.2 | 320,172 | 4.73 | 2.30 | 16 | 166.5 | 28.4 |
| Tex. & Pac. Ry. Co | 1,792 | 19,020,240 | 4,021,697 | 21.2 | 2,784,846 | 14.6 | 1,073,789 | 5.65 | 2.45 | 13 | 146.3 | 25.7 |
| T. P. & West. R. R. Co | 248 | 1,652,743 | 397,296 | 24.0 | 253,347 | 15.3 | 92,828 | 5.62 | 1.96 | 18 | 131.7 | 30.6 |
| T., St. L. & West. R. R. Co | 451 | 3,053,466 | ..... | ..... | ..... | ..... | 145,176 | 4.75 | 1.84 | 11 | 118.7 | 18.9 |
| T. & B. Valley Ry. Co | 463 | 2,464,913 | ..... | ..... | ..... | ..... | 149,001 | 6.05 | 2.10 | 11 | 216.6 | 20.2 |
| Union Pac. R. R. Co | 3,526 | 67,773,084 | ..... | ..... | ..... | ..... | [a] 2,679,449 | [a] 3.95 | 1.92 | 13 | 150.6 | 20.3 |
| Vandalia R. R. Co | 805 | 14,245,324 | 2,643,703 | 18.6 | 1,760,654 | 12.4 | 557,417 | 3.91 | 2.10 | 14 | 146.3 | 23.0 |
| V. S. & Pac. Ry. Co | 171 | 1,545,373 | ..... | ..... | ..... | ..... | 81,566 | 5.28 | 2.73 | 17 | 189.9 | 33.6 |
| Va. & S. W. Ry. Co | 240 | 621,413 | ..... | ..... | ..... | ..... | 44,494 | 7.16 | 2.88 | 12 | 173.0 | 31.4 |
| Wabash R. R. Co | 2,515 | 37,759,448 | 7,170,964 | 19.0 | 4,591,602 | 12.2 | 1,580,941 | 4.19 | 1.95 | 14 | 142.9 | 22.9 |
| Wash. So. Ry. Co | 36 | 2,087,727 | 410,438 | 19.7 | 294,597 | 14.1 | 85,406 | 4.09 | 2.57 | 13 | 157.7 | 30.3 |
| West. Ry. of Alabama | 133 | 1,765,892 | ..... | ..... | ..... | ..... | 73,679 | 4.17 | 2.22 | 19 | 200.6 | 32.8 |
| West. Md. Ry. Co | 530 | 4,134,576 | 1,374,475 | 33.2 | 917,999 | 22.2 | 406,552 | 9.83 | 1.77 | 17 | 156.5 | 28.5 |
| W. & Lake E. R. R. Co | 459 | 3,706,734 | ..... | ..... | ..... | ..... | 187,544 | 5.06 | 1.50 | 13 | 189.6 | 20.7 |
| Y. & Miss. V. R. R. Co | 1,374 | 10,531,915 | ..... | ..... | ..... | ..... | 482,773 | 4.58 | 2.46 | 13 | 166.6 | 28.1 |

[a] Does not include mixed train expenses.

*Summary of Table 15.*

| Class of roads. | Number of roads. | Passenger train car-miles (regular and special). | Passenger operating expenses for specified accounts. | Average per car-mile (does not include interest or dividends). |
|---|---|---|---|---|
| | | | | *Cents.* |
| 1. Those making complete separation of operating expenses | 64 | 1,485,024,242 | $288,296,577 | 19.41 |
| 2. Those separating maintenance of equipment and transportation expenses | 64 | 1,485,024,242 | 189,648,248 | 12.77 |
| 3. Those separating expenses account 80, 82, and 88 | 93 | 2,204,885,597 | 100,797,190 | 4.57 |

A great variation in results will be noted. It may be thought that this variation is primarily due to the methods employed in dividing the common expenses. While this is an important factor, it will be seen that it is not the only factor. Thus the table also shows the cost for the equipment and transportation accounts alone, in which the common expenses play a less prominent part. In order that a still further comparison may be made of the variation in costs where the common expenses are least important, an average expense is given for merely the three important accounts—road enginemen, fuel for road engines, and road trainmen.

### D. THE REGULAR REPORTS OF THE CARRIERS TO THE INTERSTATE COMMERCE COMMISSION.

These reports do not separate operating expenses as between passenger and freight services, but we are enabled to estimate what is probably a minimum operating expense per passenger train car-mile. Those reports show the percentage which operating expenses are of operating revenues for both freight and passenger services together. Probably few persons would assert that, taking the country as a whole, the passenger service was more profitable than the freight service at existing passenger rates, although the New Haven officials think their passenger service is the more profitable of the two. If we proceed on the assumption that, for the country as a whole, the passenger service is not more profitable, it is the same as saying that the percentages of expenses to revenues in the passenger service is not less than the percentage for all business together. If, then, we apply this expense percentage for all business, as officially reported, to the passenger revenues, we get a minimum operating expense for the passenger service. This method yields 17.5 cents as the passenger train car-mile expense for the United States as a whole for the year ending June 30, 1911. This figure, we repeat, could be objected to if it were presented as the true passenger-train car-mile operating expense, because, in using the percentage of expense to revenue for all business, we are using the existing passenger revenue in part to get a figure from which ultimately to judge what that revenue ought to be. This objection will not hold if we present the 17.5 cents as merely a minimum, resting on the single assumption that the passenger service is not more profitable than the freight service. If that assumption is granted, we can not escape the conclusion that the operating expense must be more than 17.5 cents, and from this stand-

point is interesting for comparison with the 18.5 cents shown by Document 105 and the 19.41 cents shown by the 62 roads for 1912.

### E. THE COST ESTIMATES SUBMITTED BY INDIVIDUAL COMPANIES.

For the Pennsylvania Railroad Co., Mr. V. J. Bradley presented a discussion of the cost estimates prepared by that company as compared with the results of the Post Office Department. (Pp. 420 et seq. of the Hearings.) For the month of November, 1909, the company's estimate of the operating expenses (and taxes), chargeable to passenger traffic, was $2,743,857, while the corresponding figure of the department was $2,056,328. The car-miles for this month run in passenger trains were 11,624,356. (This figure was subsequently supplied by Mr. Bradley.) The corresponding car-mile expenses are: 26.48 cents and 17.69 cents. What is the cause for this great divergence? Some light is thrown on the matter by noting the percentage of each general account charged to the passenger service by the two computations:

*Per cent of operating expenses charged to passenger service, Pennsylvania Railroad, November, 1909.*

| General account. | Post Office. | Pennsylvania R. R. Co. |
|---|---|---|
| Maintenance of way | 23.2 | 36.5 |
| Maintenance of equipment | 25.6 | 33.1 |
| Traffic | 49.2 | 49.2 |
| Transportation | 20.2 | 25.3 |
| General | 17.5 | 30.7 |
| Total | 22.5 | 30.0 |

The Post Office Department found that of certain items reported by the company as directly divided between freight and passenger services, 17.5 per cent were assigned to passenger. They used this percentage in dividing many of the common items. The company, on the other hand, divided the most important common items on a train-mile basis, which on this road would apportion nearly 47 per cent to passenger. (Year ending Dec. 31, 1912.)

However, there must have been some error in the return of the company to the department for November, 1909, or else that month was abnormal. The proportion of 17.5 per cent for passenger in the items directly assigned seems entirely too low. It is possible to test this by a later month. The method of accounting employed by the Pennsylvania Railroad does not readily admit of a separation of the items which it assigned directly in getting its final result, because the work of dividing the expenses is not all done in the central office. The divisions are made by separate items according to prescribed rules, and the central office simply combines the results. It would be necessary to re-examine the expenses in detail to make a return which would admit of the best application of the method preferred by the Post Office Department. Such an examination was made for a later month (May, 1911) and the result filed with the Interstate Commerce Commission in connection with the special report referred to on a

previous page. The data for this month may be summarized as follows:

| | |
|---|---|
| Expenses assigned according to facts or bearing a close relation to traffic | $6,034,694 |
| Passenger (26.5 per cent) | 1,601,220 |
| Freight (73.5 per cent) | 4,433,474 |
| Common expenses as divided by the company | 3,277,009 |
| Passenger (46 per cent) | 1,505,942 |
| Freight (54 per cent) | 1,771,067 |
| Grand total | 9,311,702 |
| Passenger (33.4 per cent) | 3,107,161 |
| Freight (66.6 per cent) | 6,204,541 |

The expenses divided according to facts are about 65 per cent of the total, and of these expenses 26.5 per cent fell to the passenger service, as against the 17.5 per cent which the department found for November, 1909. If the department had had the full data available for this month in 1911, the divergence between its estimate and that of the company would have been considerably less. We shall not enter into an extended discussion of the merits of the various bases for dividing common expenses. It may be true that the use which the passenger department makes of the common facilities is entirely out of proportion to the expenses occasioned directly by each department. But it is worth noting that the Pennsylvania Railroad Company's method charges the passenger department with 46 per cent of the common expenses when it occasions only 26.5 per cent of the expenses directly traceable to either branch of the service, and we may perhaps regard the result obtained by the company as a maximum estimate.

### THE NEW YORK, NEW HAVEN & HARTFORD.

The New York, New Haven & Hartford filed with the committee a "report on the value of service rendered in the transportation of mail for the two and one-half years to December 31, 1911." This report was prepared by Mr. J. H. Bowman for Price, Waterhouse & Co. The principal method used for dividing common operating expenses was a combination of revenue, train, and switching miles, which for the year 1911 charged 58.27 per cent to the passenger service as against 68.28 per cent for the train-mileage basis alone. In criticizing the direct-charge method of the Post Office Department, Mr. Bowman points out that in the period in which passenger traffic was especially heavy, and the passenger equipment could not be spared so that repairs had to be postponed, the result under this method would be to charge a smaller part of the common expenses to passenger. The final result was for one year, 1911, a charging of $18,412,754 to the passenger service for all operating expenses, excluding taxes and investment costs, or 24 cents per passenger-train-car mile. The high result does not in this case appear to be the result of the method of accounting. Its methods employed are much more favorable to the passenger department than that of the Pennsylvania Railroad. The explanation is to be found rather in the nature of the traffic. The New Haven has well-filled cars and few cars to the train and

short runs as compared with the rest of the country. This statement is emphasized if we compare certain averages for the New Haven, the Pennsylvania, and the Burlington:

*Traffic averages on three systems with different lengths of haul, 1912.*

| Unit compared. | New Haven. | Pennsylvania R. R. | Chicago, Burlington & Quincy. |
|---|---|---|---|
| Distance traveled per passenger | 18.4 | 25.5 | 49.14 |
| Passengers per car | 25 | 16 | 15 |
| Passengers per train | 95 | 63 | 60 |
| Passenger cars per train | 4.79 | 5.55 | 6.19 |
| Per cent which station expenses and cost for station employees are of total transportation expenses, freight and passenger | 20.1 | 17.3 | 14.6 |

The greater proportion of terminal expenses resulting from the short hauls, the greater amount of service per car, and the smaller number of cars per train seem to be some of the reasons why the New Haven's car-mile expense should be greater. Compare the statement of Mr. E. G. Buckland, of that company, quoted on page 854 above.

CHICAGO, BURLINGTON & QUINCY.

In a pamphlet analyzing railway and mail pay (Hearings, p. 762) the operating expenses as charged to the passenger service by the Burlington are given as follows (for the month of November, 1909):

| | |
|---|---|
| Assignable operating expenses | $637,355 |
| Proportion of nonassignable | 1,278,016 |
| Total | 1,915,371 |

The car-foot mileage in passenger trains was 529,936,590, or 3.61 mills per car-foot-mile. For a 60-foot car this would be 21.66 cents per car-mile. This is considerably higher than the 17.8 cents which we found reported for the year 1912. The reason for this difference is not apparent.

MR. KRUTTSCHNITT'S ESTIMATE FOR THE UNITED STATES, 1908.

In a pamphlet submitted to the committee an estimate is made for the United States as a whole in 1908. (Hearings, p. 807.) Operating expenses are given as $670,094,653. Dividing this by the passenger-train car-miles of that year we get 24.8 cents per car-mile. This high result can be explained readily by the assumption made by Mr. Kruttschnitt that a passenger-train mile and a freight-train mile are equally expensive, an unjustified assumption. The data do not exist for making a satisfactory assignment and apportionment for all roads in the United States from the present reports to the Interstate Commerce Commission.

THE SOUTHERN PACIFIC.

An estimate was presented by Mr. W. A. Worthington for this company for the year 1911. (Hearings, p. 329.) The total passenger operating expenses were estimated at $42,072,019. The car-foot miles

are given on the same pages as 8,945,429,100, which would give an operating expense of 4.7 mills per car-foot mile or 28.42 cents per car-mile. This is a surprising result when one considers that the revenue per passenger-train car-mile in the same year for this company was 29.39 cents. Nearly two-thirds of its revenue train mileage was reported as passenger that year. As Mr. Worthington assigned common expenses on a train mileage basis, the proportion of them going to passenger was unusually large. This would indicate that the passenger department was being conducted at a heavy loss. It is unfortunate that we do not have a complete assignment of expenses made by this company. Without further study we can hardly accept Mr. Worthington's results. It may be noted that the Post Office figures for this company in November, 1909, showed a car-mile expense of 22.8 cents, including taxes.

ATCHISON, TOPEKA & SANTA FE.

A statement submitted by Mr. Peabody is printed on page 526 of the Hearings. This gives the operating expenses chargeable to the passenger service as $4,394,347 for two months, September and October, 1911. The car-foot mileage is given as 1,505,409,704, or 2.92 mills per car-foot-mile. For a 60-foot car this would be 17.52 cents per car-mile. The corresponding result in Table 15 was 18.2. Mr. Peabody also uses the train mileage basis, and his result is in marked contrast with result attained by the Southern Pacific. The result of the Post Office Department for November, 1909, was 17.7 cents, including taxes.

GRAND TRUNK WESTERN.

An estimate of operating expenses for the company is given on page 562 of the Hearings for the year ended June 30, 1912. The passenger train operating expenses are estimated at $2,191,071, and the car mileage at 798,641, or an average of 27.5 cents per car mile. The witness presenting the statement gives the following explanation of method:

> When the Post Office Department called for information in regard to the carriage of mails in 1909, on the basis of monthly experience, for the month of November we had a statement prepared for our Grand Trunk Western Railway only based on the data that was obtained at that time for reporting to the Post Office Department, which I turned over to our audit department to prepare me a statement based on their estimates showing how this worked out. They took our total expense account, divided it between passenger and freight, on our train-mile basis, which I understand is what general auditors concur is as close an approximation as they can get, especially of the common or unassignable expenses. (Hearings, p. 531.)

If this means that all expenses were divided on the train-mile basis, not merely the common expenses, this would account for the high expense per car mile and would destroy the value of the result.

SUMMARY AND CONCLUSION AS TO COST DATA.

Uncertain as this testimony may be, we think we may safely consider the average operating expenses per passenger train car mile as not less than 18 cents. We have already seen that for every dollar

of operating expense the absolute minimum that must be added is 25.2 cents for taxes and interest. This would increase the 18 cents to 22.5 cents without any provision for dividends or contribution to surplus. A contribution to the dividends would readily bring this minimum figure above the average car-mile earnings in the passenger-train service. We conclude that the cost evidence indicates that the railroads would certainly not be overpaid if the passenger-train car-mile earnings be assumed to be fair, with such a deduction as measures the difference in the cost of a mail car as compared with the average passenger car. It should also be borne in mind that the operating expenses charged to the passenger service are to be supported by not merely the passenger-train revenue, but certain incidental revenues, such as parcel-room receipts, etc. This, however, would be a matter of from 2 to 3 per cent.

Let it be understood that in view of the undeveloped state of railroad cost accounting, we can hardly consider the cost data submitted as giving a persuasive and definite answer to what is a fair rate. But they tend to support the conclusion to be derived from a study of the average car-mile earnings in passenger trains. This basis rests for its reasonableness on the assumption that the general level of passenger earnings is not excessive. The basis for this assumption is that the passenger-train rates have been regulated in the past in part by competition and also to a large extent by commissions and legislatures. To take a single example: After an exhaustive investigation of passenger costs in Wisconsin, the Wisconsin railroad commission decided that 2½ cents was a fair rate per passenger mile. The legislature made it 2 cents. It would be of interest but is unnecessary, to pass in review here all of the opinions by State commissions or courts that have considered passenger rates.

The latest available information regarding the average passenger-train car-mile earnings is given in the following letter from the secretary of the Interstate Commerce Commission:

MARCH 24, 1913.

Hon. JONATHAN BOURNE,
*Chairman Joint Committee on Transportation of Mail,*
*United States Senate, Washington, D. C.*

DEAR SIR: Answering yours of the 20th instant inquiring concerning the average car-mile revenue for passenger-train service, I have to say that from compilations made in the division of statistics of this commission from annual reports of railway companies for the year ended June 30, 1911, it appears that for what we denominate class 1 roads, being those whose operating revenues for the year exceeded $1,000,000, the average revenue per car-mile from passenger-train service is 25.35 cents; for class 2 roads, being those having operating revenues for the year below $1,000,000 and above $100,000, the corresponding figure is 28.29 cents; for class 3 roads, being those whose operating revenues for the year were less than $100,000, the corresponding figure is 27.45 cents, and for all three classes the figure averages at 25.43 cents.

Owing to the fact that the reports of car mileage and revenues made to this commission in the annual reports of common carriers are not segregated with sufficient detail to enable us to state the revenue derived from the passenger service per car-mile, we are unable to comply with the second request contained in your letter. To get any reliable information on that point would require a collection of special data from the carriers and the analysis and compilation of such data. This would be a matter requiring a considerable amount of time, for the reason that the carriers in their accounts do not make segregations which would enable them to state from their present records the figures which you seek. To show precisely what you desire would require the setting up of special records by the carriers for a time sufficient to furnish reliable data.

Respectfully,

G. B. MCGINTY, *Secretary.*

While this average of 25.43 cents includes the mail revenue and mail cars, which can not be segregated, the error involved in using it as representation of passenger-train car-mile earnings other than mail is not serious. We have now to inquire whether a mail-car mile should earn more or less than the other passenger-train car-miles.

COMPARISON OF THE MAIL SERVICE AND OTHER PASSENGER TRAIN SERVICES.

It is true that the mail is loaded by railroad employees, and that the passengers get on the train by themselves, yet it is clear that relatively more money is expended per car in getting the passengers on the right car, providing them with tickets, and making them comfortable, than is expended in loading a car of mail. The furnishing, fittings, lighting, and heating would certainly not be greater for the mail car than for the passenger car. The switching expense is probably greater for the mail car. So far as the hauling expense and investment are concerned, the postal-car cost is probably no greater than for the average car in the train if we consider that the average weight of all cars in the passenger service is about the same as the average for the mail service. (Hearings, p. 794, par. 5.) This, however, takes in the Pullman service. It was pointed out by one of the witnesses (Worthington, p. 336, see also p. 794) that the average operating revenue per passenger-train car-mile (and similarly the expense) as shown by the reports of the railroad company is too low, because it excludes the sleeping-car revenue collected by an outside company, out of which the maintenance of the sleeping cars is paid. In other words, the sleeping cars are fully represented in the car mileage reported by the railroad companies, but they are not fully represented in the operating revenues and expenses of such companies, these being separately reported by the Pullman Co. The entire operating revenues of the Pullman Co. amounted to $35,697,582 in 1911 or 4.5 per cent of the total passenger service train revenue in the United States for that year. But if this correction be allowed, the contrast between the service represented by the average passenger-train car and the mail car becomes more pronounced.

The testimony on this matter of comparative cost did not follow the lines of cost accounting but was of a descriptive nature. Consequently, it is difficult to arrive at a conclusion in dollars and cents. The reader will find the discussions of the subject on pages 16–17, 43–44, 437, 563, 607, 611, 793–794. After reading the testimony and assuming that side services are to be separately considered, and after a study of the relative importance of the accounts relating to traffic expenses, station employees, station supplies and expenses, and maintenance of buildings, as compared with the total operating expenses, the writer believes that while the mail car-mile is somewhat less expensive, the difference can not exceed 10 per cent at the outside. This is indefinite, but such is the nature of the testimony. It may be of interest to compare with this conclusion that expressed by the Thompson-Slater Commission about 30 years ago. They said:

> This careful analysis of the returns of all the railroads in the United States points to the conclusion that as the average yield per car per mile is about 26 cents, if the roads receive 5 mills per linear foot per mile run, or at the rate of 25 cents for a 50-foot car, at the ordinary speed of 20 miles per hour, they will be getting a rate corresponding closely to the returns from all passenger traffic

combined, which on the face of it would seem to be both just and reasonable. And the committee feel constrained to make this further qualification, that the regularity and frequency of the service, the freedom of the railroads from liability, the certainty of the compensation, the exemption of the carrier from those expenses ordinarily attending passenger traffic all combine to strengthen the conviction in the minds of the committee that the rate herein recommended is both just and reasonable.

Comparison between the mail and express services is difficult, because express car-mileage is not regularly segregated in our statistics. For November, 1909, the estimate of 23.16 cents per car-mile has been made as the express revenue to the railroads. Probably the express ought to pay somewhat less than the mail per car-mile. But comparison with express payments is not conclusive, because it is by no means clear that equitable relations exist between railroad companies and express companies.

#### CONCLUSION AS TO THE LEVEL OF RATES TO BE ALLOWED.

Taking into account the maximum deduction of 10 per cent from the average passenger-train car-mile earnings of 25.4 cents referred to above, the writer has concluded that 22½ cents would probably not constitute an overpayment on the commercial principle, side and terminal services not being included. This would be an increase of certainly more than 10 per cent, but the per cent of increase can not be stated definitely until further compilations are made by the Post Office Department. This is without reference to possible economies in loading. It may be said that a conclusion involving such a large sum annually must receive a thorough test, and in any case, even if we were convinced as to the soundness of the conclusion, it would be unwise to recommend a complete correction of the underpayment in a single year. Although the mail traffic is no immediate burden to the railroads at the present rate of pay, the payment being easily sufficient to cover current outlays on account of the mail for the roads as a whole, yet if we accept the principle that the mail service should bear its proportion of capital charges—in other words, that it should stand the cost of borrowing the capital which it utilizes—we can not escape the conclusion that the mail-pay adjustment must be in the direction of an increase. For these reasons the rate of 22½ cents per car-mile has been chosen for the average haul in constructing the rate table on page 873. If the railroads think it too low, they are given in the suggested bill an opportunity of convincing the Interstate Commerce Commission of that fact. Similarly, the Postmaster General would have the opportunity of protesting against it, if he thought it too high. If it be deemed unsafe for even a single year, a maximum amount to be disbursed could be specified.

## VI. Miscellaneous Notes and Comments.

#### COMPARISONS OF PRESENT RAILROAD-MAIL REVENUE WITH REVENUES FROM PASSENGER, EXPRESS, AND FREIGHT SERVICES.

There is undoubtedly a widespread popular impression that the Government pays the railroads relatively more for the mail service than they get for the express and freight services. There was con-

siderable testimony at the hearings regarding such comparison. On the basis of space furnished to each service, the Post Office Department determined that the revenue from mails was 4.14 mills per car-foot mile and from other passenger train service 4.16. (Hearings, p. 324.) The railroads challenged this on the ground chiefly that the department had charged the passenger service with part of the space of the train actually run for the mail service. A joint committee of the Post Office and railroad representatives agreed that if the railroad view be taken that the empty space hauled on account of the mail service should be charged to that service, their earnings are for mail 3.37 mills and for other passenger services 4.34 mills. (Hearings, p. 324.) For a 60-foot car this would amount to 20.22 and 26.04 cents respectively for the month of November, 1909. There would seem to be no question but that in such a comparison the entire space run in connection with each service must be charged to that service whether loaded or empty. The express service for the same month was stated to have yielded the railroads a revenue of 3.86 mills per car-foot mile. (Hearings, p. 361.) For a 60-foot car this is equivalent to 23.16 cents. For the Pennsylvania lines east and west, the relative earnings are reported by Mr. V. J. Bradley, of that company, as follows: Passenger, 4.473 mills; mail, 3.195 mills; express, 3.898 mills per car-foot-mile. (Hearings, p. 427.) On the Southern Pacific the car-foot-mile revenues were from mail, 4.05 mills, and from express, 3.84 mills. This road receives only 40 per cent of the express rate (Hearings, p. 335). On the Union Pacific the corresponding figures were: Mail, 4.03 mills; express, 4.48 mills (p. 335). The Burlington reports 3.12 mills from mail and 4.75 mills from express per car-foot (p. 763). For the Atchison, Topeka & Santa Fe, Mr. Jas. Peabody stated the relative earnings as, mail, 3.43 mills; express, 3.28 mills; passenger, 3.89 mills per car-foot-mile (p. 526). The same witness also submitted a comparison between mail service and less-than-carload freight service on a gross ton-mile basis—that is, the combined weight of car and contents—showing for mail 4.08 mills per gross ton-mile and for l. c. l. freight 6.50 mills per gross ton-mile (p. 515). Comparisons between these services on the basis of net ton-mile of paying load without taking account of the difference in load per car are obviously absurd. (See further, Hearings, pp. 437, 773, 783–788, 821, 739–758.)

Earnings on a car-mile basis for specific routes are given by Mr. S. C. Scott of the Pennsylvania lines. On the mail line from Pittsburgh to East St. Louis, the mail car-mile earnings were in 1912, 20.32 cents, and in 1897, 20.80 cents (p. 239); Pittsburgh to Chicago, the corresponding figures were, 1912, 17.89, and in 1897, 26.1 cents (p. 240); and for the run from New York to East St. Louis, 1912, 22.54 cents; 1897, 23.75 cents. (P. 242.)

### SPEED.

The present law requires that the mails be carried with due frequency and speed, but no variation in pay is made on account of variation in speed. It has been proposed by various commissions in the past to do this. (See Hearings, pp. 34, 35, and 38.) The great difficulty of making any accurate adjustment on this account is shown

by the following statement prepared by Mr. A. M. Buck, Assistant Professor of railway engineering, University of Illinois:

In the following discussion of the subject it is to be understood that it relates entirely to a comparison of passenger trains operated at different speeds, but it would apply with even more force if applied to freight and passenger trains.

The cost of passenger-train operation as a function of speed is subject to a number of variables which are quite irregular in their manner of variation. In general the cost of operation may be subdivided as follows:

1. Cost of fuel, supplies, labor, etc.
2. Maintenance of equipment.
3. Maintenance of way and structures.
4. Interest and depreciation.
5. General expense.

Under the first heading, the most important item is fuel. If the resistance to motion offered the train varied directly with the speed, if the amount of fuel required to develop a pound of steam remained constant, and if the steam would do the same work at all speeds, then the cost of fuel for hauling a given train a given distance would remain the same irrespective of speed. For as the speed increased, the time of the run would diminish in inverse ratio, keeping the amount of coal burned constant. This condition, however, does not hold true in practice. The train resistance increases faster than in direct proportion to the speed, as has been determined by many investigators. (See Bull. 43 of the University of Illinois Experiment Station, by E. C. Schmidt.) To meet the increased resistance at the higher speed more steam must be used in the cylinders. With a greater demand on the boiler, the rate of combustion must be increased to maintain the steam pressure, and this occasions greater losses in the furnace and stack. The steam is also somewhat less effective in its work at the high speed. In consequence, the increase in the use of fuel with increase of speed may be very considerable. This condition occurs when the locomotive is being forced to its maximum capacity. (Some figures on this topic are given in Locomotive Operation, by G. R. Henderson, pp. 486–488.) With modern, fast, passenger engines it is quite possible to have the coal consumption doubled by an increase of speed from 60 miles per hour to 70 miles per hour.

The cost of water, oils, and other supplies increases to some extent with the speed. For fast trains, more and better supplies are required than for slow, although the difference is not nearly so marked as in the case of fuel. As a general proposition, labor costs do not enter to any great extent, since our practice in this country is to pay by the mile instead of by the hour.

The cost of maintaining equipment is higher for the fast trains than for the slow. It is almost impossible to obtain accurate costs for the different classes of service, but maintenance records of different roads show more repairs on high-speed equipment.

Maintenance of way costs also show considerable increase with increasing speed. It costs considerably more to maintain a track for a speed of 50 miles an hour than one for 25 miles an hour with the same margin of safety. The impossibility of segregating costs may be readily seen. Most roads that run trains at 50 or more miles an hour on tracks maintained for such speeds also operate many trains over the same tracks at lower speeds.

The maintenance costs for structures are similarly involved, although it can be stated authoritatively that the wear on a bridge or other railway structure is much more at high speeds than at low.

From the foregoing it may be seen that in order to maintain a road operating high-speed trains requires greater expenditures than one operating low-speed trains only. For a road operating all classes of trains it is very difficult to divide the costs equitably, although we know that the high-speed trains are more expensive to operate. Similarly, the depreciation will be higher for the high-speed road unless more expensive construction and equipment have been provided. Either requires greater overhead charges.

The general expenses of the road, such as salaries of officials and clerks, is not changed by the fact of high or low speed operation, but this item is of such small importance that it does not modify the cost to any marked degree.

All things considered, high-speed trains cost more to operate in most respects save that of labor. The expense can not be stated as an exact function of the speed. The variables entering the problem are of so diverse a character and

are so little understood that no logical separation has as yet been made. While a solution of the problem in exact terms is probably desired by all the railroads, the cost of making the necessary cost analyses is so great that it is not likely it will be attempted on any comprehensive scale in the near future. (From a letter to the chairman of the present committee, Sept. 13, 1913.)

In view of the difficulties here set forth, it is apparent that if the mail compensation is to be varied in accordance with speed, a factor must be selected arbitrarily. We are certain that higher speed costs more and is worth more, but we can not say exactly how much. The variation in train resistance at different speeds may be considered. (See the discussion of this subject in connection with increased weight of cars on page 643 of the Hearings.) It may be that both the Post Office Department and the railroads would find it advantageous if certain mail matter could be concentrated upon slower trains at a reduction in the rate; but a general gradation of the rate scale in accordance with variations in speed would considerably complicate the statistical records to be kept, and for this reason the speed factor has been omitted in the plan of payment outlined on a previous page.

### ELECTRIC RAILWAYS.

Electric railways are now being paid on a space basis for carrying the mails, the maximum rate being 1 cent per linear foot per mile, with a maximum of 20 feet per car. For pouch service the payment is 3 cents a mile, irrespective of the number of pouches or cars. The general auditor of the Boston Elevated Railway Co. testified that the car-mile cost for his company is 23.137 cents, including taxes, interest, depreciation, and insurance (p. 147). An estimate was presented for the Brooklyn Heights Railroad Co. showing a car-mile cost of 24.574 cents, including taxes and fixed charges (p. 164). A committee of the American Railway Association prepared a bill (printed in the hearings, p. 778) increasing the compensation to 1½ cents per foot per mile. There is no disposition to change the space basis (p. 152). This bill was presented for criticism to the Postmaster General, who sent a memorandum prepared by the Second Assistant Postmaster General (pp. 780 to 782). He shows how this bill would increase the cost to the department for this class of mail service, and suggests that the department's plan of paying for mail service on the basis of cost would apply to electric railways as well as to steam railways.

# RAILWAY MAIL PAY.

ROBERT H. TURNER.

WASHINGTON, D. C., *November 28, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, Washington, D. C.*

MY DEAR MR. CHAIRMAN: In accordance with your request, I have prepared and herewith submit a memorandum in review of the testimony taken before your committee for such use as you and other members thereof may deem proper and appropriate to make of same.

Very truly yours,

ROBERT H. TURNER,
*Secretary Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail.*

## INTRODUCTION.

The irresistible conclusion must be reached by anyone who has given the matter of mail transportation even superficial consideration, that the adequacy or inadequacy of rates paid to the railroads of this country for transportation furnished and services rendered must be determined upon not only by a general consideration of the problem but also by painstaking and conscientious scrutiny of statistics. Statistics, being the main and the decisive element of the inquiry suggested, should be tabulated and presented by one who has had a broad and varied experience in that line of work. Doubtless the joint committee had this in view in securing the services of Mr. M. O. Lorenz, associate statistician for the Interstate Commerce Commission, who has prepared a report presenting in chief a statistical view of the controversy. The writer therefore has confined his observations more particularly to a general consideration of the problem, with such references to statistics as were necessary to illustrate the subject matter.

## HISTORICAL SKETCH.

### EARLY HISTORY.

That this memorandum may be kept within reasonable limits, only sufficient will be said to enable one interested in this phase of the subject to have at his command for ready reference the most valuable source of information.

The most illuminating and extended history of the Railway Mail Service is given in Senate Executive Document No. 40, Forty-eighth Congress, second session (1885). That document discusses among

other things the "Stage-coach era," "Early contracts," "Railway post offices, fast mails," together with a general survey of the service by decades from 1835 to 1885. It describes with particularity transportation of mail by stage coach, together with the scope and character of the contracts entered into by the Government for such service; how on the appearance of railways, stage contractors supplemented their services to the Government by utilizing that means of conveyance secured by direct contracts between them and the railroad companies; how mail-carrying contracts were secured by the Government on a competitive basis after due advertisement, applicable first to stage-coach and then to rail transportation; how in 1838 railroads were made post routes and compensation for carrying the mails over such routes limited not to exceed in any instance "more than 25 per centum over and above what similar transportation would cost in post coaches"; how in 1839 this compensation was further limited "by an act restricting the cost on any route to not exceed $300 per mile per annum"; how in 1845 the railroads were classified, dependent upon size of mails, speed, and importance of the service, and "the Postmaster General * * * empowered to contract with any railroad company, either with or without advertising for such contract, pay being limited to $300 per mile for first-class, $100 per mile for second-class, and $50 per mile for third-class; how these rates were kept within the prescribed limits for a period of 20 years," "wholly arbitrary and subject to the varying judgment of officers of the department"; and how in 1867 the mails were weighed in order to secure a more equitable assignment of roads.

Under the act of March 3, 1873 (the basis of the present law for compensating the railways for carrying the mails), the practice of inviting proposals by formal advertisement for carrying the mails on railroad routes was abandoned. Under the same law the classification basis referred to above "was superseded by making the average weight of mails carried the whole length of the route with the accompaniment of space, speed, and frequency, the gauge of compensation, with additional allowance for railway post-office cars of length" of 40, 45, 50, and 60 feet, respectively.

In the hearings, volume 1, page 48, may be found a brief history of the handling of mail by railroads made on January 6, 1911, by a railroad committee on railway-mail pay. Reference also may be made to an article entitled "A consideration of the question as to whether the carriage of the United States mails represents an intangible asset to the railroads which should be given weight in fixing the rates for transportation," presented to the joint committee on March 28, 1913, by Mr. V. J. Bradley, general supervisor of the Pennsylvania Railroad system, and printed in volume 2, page 439, of the hearings on railway-mail pay.

### LAW OF 1873.

The chronological sequence, beginning with the law of 1873 as a basis, of laws and events affecting railway mail are stated in various parts of the hearings on railway-mail pay, reference being here made to volume 1, page 48; volume 2, page 401; and volume 5, page 795. The most complete summary is perhaps that given Mr. V. J. Bradley, general supervisor of mail traffic of the Pennsylvania Railroad system, stated on pages 401 and 402, volume 2 of the hearings.

DOCUMENT NO. 105.

[House Report, Sixty-second Congress, first session.]

This document, as stated on its title page, is "A report giving the results of the inquiry as to the operation, receipts, and expenditures of railroad companies transporting the mails, and recommending legislation on the subject." Since this document contains the method of compensating the railways for carrying the mails and in large part responsible for this investigation, it will be discussed more at length in subsequent pages of this memorandum. Since, too, a discussion of the legislation recommended therein is discussed and referred to throughout the five volumes of hearings on the subject of railway mail pay, it will only be necessary here to refer to Document No. 105 itself, to the preliminary report of the chairman of the joint committee, to Hon. Joseph Stewart's testimony, beginning on page 3, volume 1, of the hearings, and a statement presented by Mr. V. J. Bradley, to be found on pages 401 to 406, inclusive, of volume 2 of the hearings, as sufficient to acquaint the inquirer of the history leading up to the compilation of data and recommendations therein contained.

APPOINTMENT OF JOINT COMMITTEE.

The provision of law authorizing the appointment of the joint committee may be found in the Post Office appropriation act approved August 24, 1912, under the heading "For inland transportation by railroad routes." Since Hon. Jonathan Bourne, jr., and Hon. Harry A. Richardson would cease to be Members of the Senate after March 3, 1913, and Hon. John W. Weeks to be a Member of the House of Representatives and to become a Senator of the United States, it was necessary, if the personnel of the committee was to continue, that a law specifically so authorizing should be enacted. Such provision was made and is to be found in the Post Office appropriation act, approved March 4, 1913.

While the law approved August 24, 1912, contemplates two inquiries to be made by the joint committee, viz—(1) into the subject of postage on second-class mail matter and (2) compensation for the transportation of mail—the appointment of the joint committee, so far as the second inquiry is concerned, was suggested, as strongly indicated in the chairman's preliminary report of January 24, 1913, when Second Assistant Postmaster General Stewart submitted to the Senate Committee on Post Offices and Post Roads (which then had under consideration the Post Office appropriation bill for the fiscal year ending June 30, 1913), a draft of bill embodying in legislative form the recommendations made in Document No. 105. The recommended draft which provided for changing the method of compensating the railways for carrying the mails from a weight to a space basis was incorporated in one of the several committee prints of the Senate Committee on Post Offices and Post Roads. After a brief consideration it became apparent to the members of that committee that the subject matter was of too great magnitude and of too far-reaching importance to be acted upon without fuller and more deliberate consideration than time then permitted of. However, in view of the strong indorsement of then Postmaster General Hitchcock, supplemented by that of his Second Assistant, Gen. Stewart, of the plan proposed, the committee authorized Hon. Jonathan Bourne, jr., who was then its chairman, to introduce a bill containing in toto

the provisions of the draft referred to, the purpose being to get before Congress and the country the views of the department as expressed therein. The bill was introduced on July 26, 1913, numbered 7371, and referred to the Senate Committee on Post Offices and Post Roads.

### PROGRESS OF THE WORK OF THE JOINT COMMITTEE.

Prior to the organization of the joint committee, and, as fully explained in the chairman's preliminary report, the concrete bill recommended by the department was submitted to the 795 mail-carrying railroads having contracts with the Government. A committee of the railroads entitled "committee on railway-mail pay" presented a pamphlet on "Mail-carrying railways underpaid," giving in detail their objections to the proposed plan, this committee representing a total of 214,275 miles of railroad. Responses in protest were also made by the Short Line Railroad Association and individual railroad companies. The responses made clearly disclosed that the railroads were not at all in accord with the space plan recommended by the department, and further that they were opposed to any change in the present method of pay except with certain modifications to be hereinafter noted.

Informal conferences were held, at which both representatives of the railroads and of the Post Office Department were present, in order, if possible, to reconcile the differences between them.

The department did, as a result of the informal conferences referred to, make certain concessions in response to objections made by the committee on railway-mail pay in its pamphlet entitled "Mail-carrying railways underpaid," and amended its proposed plan in these particulars, to wit:

> First. That the Interstate Commerce Commission instead of the Postmaster General be authorized to make the primary separation between passenger and freight business.
>
> Second. That in the matter of car space the railroad companies be credited with the maximum space in both directions.
>
> Third. That in addition to a compensation of 6 per cent of the operating expenses the railroad companies, after an apportionment, be credited with a reasonable percentage of the capital employed in and relating to the Railway Mail Service.

As will be noted by reference to the hearings, the foregoing concessions, while responsive to their protests, were not sufficient to warrant the railroad representatives subscribing to the plan proposed, which in brief contemplated a cost determination using space represented by a linear car-foot as the unit of measure of such determination.

### HEARINGS.

The joint committee after its organization on January 6, 1913, held hearings on January 28 and 29, February 7, 12, and 17, March 27 and 28, April 8 and 22, and May 14, at which both representatives of the railroads and of the Post Office Department were present. The hearings were concluded on May 14 and at that hearing representatives of the railroads and of the department were invited, in response to their expressed desire, to file briefs. The committee on railway-mail pay, by its chairman, Mr. Ralph Peters, on June 26,

1913, filed its brief which is printed in the addenda to volume 5 of the hearings, pages 720 to 735, inclusive. The department's brief has not yet been filed. Mr. M. O. Lorenz, associate statistician of the Interstate Commerce Commission, was invited to attend the hearings, to testify, and to become a participant in the discussions between the railroad representatives themselves, between representatives of the railroads and the Post Office Department, and between members of the joint committee and the departmental and railroad representatives, a practice inaugurated by the chairman in order that every possible viewpoint bearing upon a solution of the problem might be presented.

SPECIAL SERVICES.

In order to obtain an impartial review of the testimony, of the presentations made by representatives of the railroads and of the Post Office Department, and, if possible, a demonstrable plan of compensating the railroads for carrying the mails that would be fair to both the Government and the railroads, meeting the objections of both, the joint committee through its chairman, after first ascertaining that same would be agreeable, requested of the Interstate Commerce Commission that its associate statistician be given leave of absence without pay that he might devote his whole time to the service of the joint committee for the purpose above indicated. The request was courteously granted, and Mr. M. O. Lorenz's services secured at a compensation equaling what he was then receiving as associate statistician for the commission. His employment began on July 28 and terminated on September 30. His report giving a full review of the testimony and containing recommendations may be found by reference to pages 849 to 897 of this volume.

POSTAL-SERVICE COMMISSION (WOLCOTT-LOUD COMMISSION), 1900–1901.

Preliminary to a review of the testimony taken before the present joint committee, it may be of interest to refer in a general way to the work of the above-named commission. That commission was appointed under the act of June 13, 1898, and continued by the acts of March 1, 1899, and June 2, 1900. That commission, so far as the present inquiry is concerned, was created to "investigate the question whether or not excessive prices are paid to the railroad companies for the transportation of the mails, and as compensation for postal-car service." That commission did not make its report until January 1, 1901, more than two years after its appointment. A majority of the members of that commission reached the conclusion that the prices paid to the railroad companies for the transportation of the mails were not excessive (S. Doc. No. 89, 56th Cong., 2d sess., pt. 1, p. 19), and, further, that the prices paid as compensation for the postal-car service were not excessive. (Same document, pt. 1, p. 20.)

Mr. Loud, who was in favor of a space basis, and who filed a separate report advocating it, stated that the railroad companies did not derive a profit from the carriage of mails, and that no reduction in rates should be made as long as the present system prevailed. (S. Doc. No. 89, 56th Cong., 2d sess., pt. 1, p. 22.)

Mr. Flemming, one of the members of the commission, while indorsing a recommendation made by Mr. Henry C. Adams, a statistical expert of national reputation employed by the commission, referred to

in the paragraph next following, stated that he was "fully convinced that those persons who have contended that, under the law of 1873 and its amendments of 1876 and 1878, the railroads are being paid, as some have charged, from 2 to 10 times what they should receive, are in grave error. There is no such exorbitant overpayment for the total transportation of the mails, as has been charged." (S. Doc. No. 89, 56th Cong., 2d sess., pt. 1, p. 35.)

The recommendations of Mr. Adams were:

(1) A reduction of 5 per cent on all routes.

(2) A further reduction, varying from 1 to 12 per cent, on all routes receiving 20 cents per ton-mile and carrying an excess of 5,000 pounds daily per mile of line. (S. Doc. No. 89, 56th Cong., 2d sess., pt. 2, p. 240.)

He justifies his recommendation—

(1) Because of economies in railway transportation not dependent on increase in the density of mail traffic; and

(2) Because of more economic operation as density of mail traffic increases.

Mr. Chandler joins with Mr. Flemming in giving his indorsement to Mr. Adams's recommendation. (S. Doc. No. 89, 56th Cong., 2d sess., pt. 1, p. 32.)

That Mr. Adams is in doubt as to the possibility of concentrating mail loading is indicated from his own statement:

> If it is impossible to introduce greater economy in the railway mail service, then the railway mail service is not under the law of transportation that says economy follows density of traffic. (S. Doc. No. 89, 56th Cong., 2d sess., pt. 2, p. 416.)

The evidence before that commission disclosed that the maximum loading of a postal car averaged from $2\frac{1}{2}$ to 3 tons and the evidence before the present joint committee is to the same effect.

Mail, so far as concentration of load is concerned, is sui generis:

(1) The paying load of a postal car is limited because of the post-office fixtures and the space necessarily required for the working of the mails by the postal employees.

(2) Because the railroads are required to carry mail on any train which may run over their road without extra charge therefor.

Such considerations, if sound, make it apparent that the same economies in operation characteristic of freight transportation effected by concentrated loading are impossible of application to that of mail.

Mr. Adams argued in effect that if a postal car could be loaded upon an average to, say, five tons, such increased loading would warrant a reduction in the rates paid. (S. Doc. No. 89, 56th Cong., 2d sess., pt. 2, p. 417.) In order to strengthen his recommendation, which seems to have been based upon mere hypothesis, he says:

> Should a further investigation disclose the fact that increased economy does not, as a matter of fact, follow increased density of mail traffic, and consequently warrant a reduction in the rate of compensation, the fact would expose railway mail service as now administered by the Post Office Department to the suspicion of undue regard to facilities and inadequate regard to expense. (S. Doc. No. 89, 56th Cong., 2d sess., pt. 2, p. 235.)

Mr. Adams placed himself in the anomalous position, as suggested by Chairman Wolcott in part 2, page 417, of the document above referred to, of recommending a reduction first and an investigation

afterwards to ascertain whether the reduction was warranted. His own testimony can not but be regarded as indicative that the railroads were not overpaid in 1901. To disprove the hypothesis upon which he based his recommendation, the following is quoted from a paper entitled "Space or weight," by Mr. V. J. Bradley,[1] supervisor of mail traffic, Pennsylvania Railroad system, and printed in volume 4, pages 624 to 626, of the Hearings on Railway Mail Pay:

> In 1899, when the last joint congressional commission was studying this question, I held the opinion, which I surmise is still held by some officials of the Post Office Department, that if the department paid for car space instead of for weight they could load the space to the maximum and so effect great economies. I am satisfied that this is a delusion. The low average load carried per car is really the result of the variable character of the traffic and not of the present basis of pay. The fact that the volume of mail in one direction is heavier than in the reverse direction lowers the average load, but the department can not control or change this condition. The further fact that the load from the heavy initial terminal varies from day to day can not be controlled by the department unless it takes all expedition and high quality out of the service by holding the mail back until it accumulates a full load, as in the freight service. Congress and the American people would not consent to this.
>
> Superficially it appears quite clear that the average load per car is too low and therefore extravagant, but close examination discloses the fact that this is an inseparable characteristic of the mail traffic and partly the price paid for expedition (including distribution en route).

This advertence to the conclusions reached by the Wolcott-Loud commission is deemed essential because of the frequent reference made to same by various railroad representatives to substantiate their claim that they are not overpaid. (Preliminary Report, pp. 15 and 16; vol 1 of the Hearings, pp 53, 54, and 111; vol. 5, pp. 726 and 759.) Advertence was also made to that phase of the subject relating to the possibility of concentrated loading, as there will be frequent reference to it in subsequent pages of this memorandum.

### PROCEDURE OF THE PRESENT JOINT COMMITTEE CONTRASTED WITH THAT FOLLOWED BY THE WOLCOTT-LOUD COMMISSION.

This joint committee by the act of August 24, 1912, creating it, was charged with the duty of making "inquiry * * * into the subject of * * * compensation for the transportation of mail and to report at the earliest practicable date." The former commission was specifically charged with the duty of "investigating the question whether or not excessive prices are paid to the railroad companies for the transportation of mails." The difference in language in the laws creating the respective commissions confirms the impression already indicated that this joint committee is more vitally concerned with the question of evolving a system, simple and easy of explanation, and fair and equitable to the Government and railroads alike, of paying the railroads of this country for transporting the mails, and one that would remove the almost ceaseless agitation in Congress and the endless friction between the railroads and the Post Office Department. (Hearings, vol 1, p. 236; vol. 2, p. 397; vol. 4, p. 549 and 616.)

This joint committee at the very outset of its investigation had before it two concrete plans, namely:

(1) The present law, a weight plan.

[1] Mr. Bradley, at the time of the Wolcott-Loud commission, was stationed at New York City as superintendent of the Railway Mail Service. He appeared before that commission as an advocate of a space basis in his individual and personal capacity. (S. doc. No. 89, 56th Cong., 2d sess., pt. 2, p. 143.)

(2) The plan recommended by the Post Office Department in Document No. 105, a space plan based on cost.

While it is true that suggestions were made to the Wolcott-Loud commission to substitute a space for a weight basis, it does not appear to have been presented with that definiteness of purpose characteristic of the recommendations made in Document No. 105. In support of this view the following is quoted from Mr. Loud's report:

> The system of space payment was regarded generally by the commission as impracticable, and a proper investigation in that direction was not pursued.

The present joint committee occupies a more advantageous position than the former in having at the very outset of its investigation a specific concrete plan to contrast with the present method of payment.

It shall now be the purpose of the writer to discuss (1) the present law, and (2) the space plan recommended in Document No. 105.

### THE PRESENT LAW (WEIGHT BASIS).

At present the compensation the railroads receive for carrying the mails is based upon 90 per cent weight and the remaining 10 per cent upon facilities furnished by the railroad companies as represented by railway post-office cars of 40 feet up to 60 feet and over in length, inside measurement. No pay is allowed for postal cars of less than 40 feet in length. In other words, 90 per cent of the compensation received is based upon weight and 10 per cent upon space. It was found after the initiation and in the development of the traveling railway post-office cars that such cars were limited in their mail loading because of the post-office fixtures in the car and the space necessarily required by the postal employees to work the mails, hence a rate was provided in addition to that paid for the weight carried in order that the railroads might receive a remuneration commensurate with the service performed and facilities furnished.

The basis of the present law is the act of 1873. The rates there fixed were subsequently reduced by the acts of July 12, 1876, June 17, 1878, March 2, 1907, and May 12, 1910, this latter act applying exclusively to land-grant railroads.

The law of 1873 fixing the rate of pay for railroad post-office cars was reduced by the law of 1907, as indicated in the following statement:

| | Act of 1873. | Act of 1907. |
|---|---|---|
| 40-foot car | $25.00 | $25.00 |
| 45-foot car | 30.00 | 27.50 |
| 50-foot car | 40.00 | 32.50 |
| 55-60-foot car (or more) | 50.00 | 40.00 |

Why a proportionate rate under the law of 1873 was not made for cars of under 40 feet in length, commonly known as apartment cars, is not apparent. These cars are fitted up similarly as full railway post-office cars, and the same reasoning justifying increased pay for them should equally apply to apartment cars. A computation based on Table 5J, Document No. 105, page 196, will disclose that approximately 85 per cent of the car foot-mile mail space is represented in the railway post-office and apartment cars, divided as follows: 46 per cent railway post-office and 39 per cent apartment cars. This

seems to clearly demonstrate that a special rate, proportioned according to length of car, should have been provided for cars of less than 40 feet in length, which, as will be pointed out on pages 915 and 916 of this memorandum, can be no more economically loaded than the regular railroad post-office car.

The transportation and service rates fixed by the law of 1873, and the subsequent reductions in same by the amendatory acts referred to, may be seen at a glance by reference to the following schedule of rates promulgated by the Post Office Department:

*Schedule of rates for railway mail transportation.*

| Average weight of mails per day carried over whole length of route. | Pay per mile per annum. | | | |
|---|---|---|---|---|
| | Rates allowable under R. S., sec. 4002 (act of Mar. 3, 1873). | Rates allowable under acts of July 12, 1876, June 17, 1878, and Mar. 2, 1907. (See note 1.) | Rates allowable to land-grant railroads under acts of July 12, 1876, June 17, 1878, Mar. 2, 1907, and May 12, 1910. (See notes 1 and 2.) | Intermediate weight warranting allowance of $1 per mile under the law of 1873 and the custom of the department, subject to acts [1] of July 12, 1876, June 17, 1878, and Mar. 2, 1907. (See note 1.) |
| | | | | *Pounds.* |
| 200 pounds | $50.00 | $42.75 | $34.20 | ..... |
| 200 to 500 pounds | ..... | ..... | ..... | 12 |
| 500 pounds | 75.00 | 64.12 | 51.30 | ..... |
| 500 to 1,000 pounds | ..... | ..... | ..... | 20 |
| 1,000 pounds | 100.00 | 85.50 | 68.40 | ..... |
| 1,000 to 1,500 pounds | ..... | ..... | ..... | 20 |
| 1,500 pounds | 125.00 | 106.87 | 85.50 | ..... |
| 1,500 to 2,000 pounds | ..... | ..... | ..... | 20 |
| 2,000 pounds | 150.00 | 128.25 | 102.60 | ..... |
| 2,000 to 3,500 pounds | ..... | ..... | ..... | 60 |
| 3,500 pounds | 175.00 | 149.62 | 119.70 | ..... |
| 3,500 to 5,000 pounds | ..... | ..... | ..... | 60 |
| 5,000 pounds | 200.00 | 171.00 | 136.80 | ..... |
| For each additional 2,000 pounds above 5,000 and less than 48,000 pounds | 25.00 | 20.30+ | 16.24+ | ..... |
| Above 5,000 and less than 48,000 pounds | ..... | ..... | ..... | 80 |
| For each additional 2,000 pounds in excess of 48,000 pounds | 25.00 | 19.24 | 15.39 | ..... |

| | Character of route. | |
|---|---|---|
| | Nonland grant. | Land grant. |
| | *Pounds.* | *Pounds.* |
| Intermediate weights above 48,000 pounds warranting addition of $1 net | 103.96 | 129.96 |

[1] The application of these acts reduces the allowance of $1 to $0.85+ on nonland-grant and to $0.68+ on land-grant routes carrying less than 5,000 pounds average daily weight. On routes carrying above 5,000 and less than 48,000 pounds the allowance of $1 is reduced to $0.81+ for nonland-grant and to $0.64+ for land-grant routes.

NOTE 1.—The act of Mar. 2, 1907, affects only routes carrying over 5,000 pounds.

NOTE 2.—The act of May 12, 1910, affects only land-grant routes carrying over 48,000 pounds.

No allowance is made for intermediate weights not justifying the addition of $1.

Rates allowable per mile per annum from July 1, 1907, for use of railway post-office cars:

| | Per daily line. |
|---|---|
| Railway post-office cars 40 feet in length, inside measurement | $25.00 |
| Railway post-office cars 45 feet in length, inside measurement | 27.50 |
| Railway post-office cars 50 feet in length, inside measurement | 32.50 |
| Railway post-office cars 55 feet or more in length, inside measurement | 40.00 |

To constitute a "line" of railway post-office cars between given points, sufficient railway post-office cars of full width and of authorized length must be provided and run to make a trip daily each way between those points.

In view of the frequent criticisms made of the complexity of the present law relating to railway mail pay, particularly with reference to figuring out and stating accurately and concisely the method by which the railroads' compensation is determined, an attempt is made in the footnote below to explain the manner of arriving at the rates given and referred to in the department's circular on the next preceding page:[1]

Under the law and practice of the Post Office Department the weight of the mail carried over railroad routes (now 3,409 in number, as stated by the Second Assistant Postmaster General on p. 7 of his annual report for the fiscal year ending June 30, 1912) is determined by weighing the mails for a period of 90 successive working days once in every four years, the daily average weight thus ascertained being the average daily weight for the four-year period. The United States, however, is divided into four weighing sections, and, perhaps for the purpose of convenience, one section only is weighed each year, the equivalent of once in four years for the entire country.

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[1] The law of 1873 specifies the number of pounds and the rates which shall apply to the pounds stated up to 5,000 pounds, after which a rate of $25 shall be paid for each 2,000 pounds in excess of that amount. By the act of 1876 the rates stated in the foregoing act, including the rate of $25, were reduced 10 per cent. By the act of 1878 the rates fixed in the law of 1873, and reduced by the act of 1876, were still further reduced 5 per cent. The foregoing was the extent of the reduction on weights up to and including 5,000 pounds, subsequent reductions only affecting rates in excess of that number of pounds. As indicated in the department's circular, for intermediate weights between those specifically stated in the law, the Post Office Department has prescribed a certain number of pounds, varying from 12 to 60, entitled to receive an allowance of $1. This $1 is also subject to the 5 and 10 per cent reductions. For instance, the rate for 2,000 pounds, under the law of 1873, was $150. The law of 1876 reduced this 10 per cent ($15), making the rate for 2,000 pounds $135. The law of 1878 reduced this 5 per cent ($6.75), making the rate for 2,000 pounds $128.25. Now, if the weight were from 2,000 pounds to 3,500 pounds, the department would allow for each 60 pounds in excess of 2,000 pounds $1. Here there is a remainder of 1,500 pounds, which divided by the 60-pound allowance gives 25 sixties entitled to a rate of $1, or $25 for the 1,500 pounds, which reduced by 10 and 5 per cent would give $21.375, which added to $128.25, the rate for 2,000 pounds, gives $149.62, the rate for 3,500 pounds. The law of 1907 carries the reductions of 10 and 5 per cent of the law of 1876 and 1878, respectively, providing in addition for a further reduction of 5 per cent on weights in excess of 5,000 pounds and less than 48,000 pounds, the percentage applying to each 2,000 pounds, which, under the law of 1873, yielded $25 and to the $1 departmental allowance for each 80 pounds on intermediate weights.

APPLICATION OF LAW TO A WEIGHT OF 48,000 POUNDS.

| | | Rate. |
|---|---|---|
| First.—48,000 pounds. | | |
| 5,000 | pounds, at $200 (1873), less 10 per cent (1876) less 5 per cents (1878); equals | $171.000 |
| 2,000) 43,000 | pounds (21 tons; $25 per ton (1873). | |
| 40,000 | | |
| 3,000 | | |
| 2,000 | | |
| 80) 1,000 | pounds; remainder entitled to $1 for each 80 pounds. | |
| $12 | for 1,000 pounds. | |

Twenty-one tons multiplied by the rate ($20.20625) equals $426.43125, the rate for 21 tons, ascertained in the following manner:
$25 less 10 per cent ($2.50) equals $22.500 (law of 1876).
$22.50 less 5 per cent ($1.125) equals $21.375 (law of 1878).
$21.375 less 5 per cent ($1.06875) equals $20.30625 (law of 1907).

| | | |
|---|---|---|
| 21 tons × by $20.30625 | $426.43125 | |
| Reducing the $1 allowance by 10 per cent, 5 per cent, and 5 per cent will give a result of $0.81225, the rate for each 80 pounds. This multiplied by 12 gives | 9.74700 | |
| Rate for 43,000 pounds equals | | 436.179 |
| Rate for 48,000 pounds equals | | 607.179 |

Tabulations, therefore, of the character indicated in the example given in the footnote on this and the preceding page have to be undertaken by the Post Office Department each year in order to determine the compensation that the railroads operating in the section weighed shall receive for the next ensuing four years. The complexity of the calculations is apparent, to say nothing of the cost to the Government in obtaining and compiling the data on which such calculations are based, which on an average is stated to be $400,000 for each weighing section, or $1,600,000 for the whole country. (Doc. No. 105, p. 15.)

In Document No. 105, page 15, the present basis of pay is described as follows:

At present railroad mail pay is provided for and adjusted upon the basis of the average daily weights carried over the several established railroad routes, and an additional amount is allowable for railway post-office cars when the space for distribution purposes equal or exceed 40 feet in the car. Space for distribution purposes in apartment cars—that is, space less than 40 feet—is not compensated for in addition to the pay for the weight of the mails. There are, therefore, under the present law, two different methods of pay for service which cover three different conditions in the service; that is, there is pay for weight under all circumstances; there is additional pay for space, 40 feet and more, in cars; and there is pay for weight only in cases where apartments less than 40 feet in cars are furnished.

| | | |
|---|---|---|
| Second.— | | |
| Rate for 5,000 pounds (obtained as above) | | $171.000 |
| 21 tons (obtained as above) multiplied by $25 equals | $525.000 | |
| $1 for each 80 pounds in remainder, which is 12, equals | 12.000 | |
| | 537.000 | |
| 10 per cent reduction (1876) | 53.700 | |
| | 483.300 | |
| 5 per cent reduction (1878) | 24.165 | |
| | 459.135 | |
| 5 per cent reduction (1907) | 22.956 | |
| Rate for 43,000 pounds equals | | 436.179 |
| Rate for 48,000 pounds equals | | 607.179 |

In the foregoing example the weight on 48,000 pounds has been worked out in two ways. First was ascertained the rate on 5,000 pounds, which under the law of 1873 took a rate of $200, and this reduced by 10 per cent and 5 per cent, as provided by the laws of 1876 and 1878, gives $171.

Then was taken 43,000 pounds, which, divided by 2,000 pounds (or 1 ton), gives a quotient of twenty-one 80 pounds entitled under the law of 1873 to a rate of $25, which, reduced by 10, 5, and 5 per cent, under the laws of 1876, 1878, and 1907, gives a rate of $20.30625. This multiplied by 21 tons gives a total rate of $426.43125 for that number of tons.

As indicated in the example, there is a remainder of 1,000 pounds, an intermediate weight entitled under a prescribed allowance made by the Post Office Department to receive (in its administration of the law of 1873) $1 for each 80 pounds. This would entitle 1,000 pounds to a rate of $12. The percentage reductions made in the laws of 1876, 1878, and 1907 are made applicable to the $1 rate, which would reduce the $1 rate for each 80 pounds to $0.81225. This rate multiplied by 12, the number of eighties, gives $9.74700, which, added to $426.43125, gives a total sum of $436.178, the rate for 43,000 pounds. Adding this to $171, the rate for 5,000 pounds, gives a rate of $607.179 for 48,000 pounds.

When the rate exceeds 48,000 pounds each additional 2,000 pounds receives a rate of $19.238, or $19.24, the rate stated in the law itself, which is arrived at in the following manner:

| | |
|---|---|
| $25 (1873 rate) less 10 per cent (2.50) equals | $22.500 |
| $22.50 (1876 rate) less 5 per cent (1.125) equals | 21.375 |
| $21.375 (1878 rate) less 10 per cent (2.13750) equals | 19.238 |

Or $19.24, the amount specified in the law of 1907 as the rate for each 2,000 pounds in excess of 48,000 pounds.

For intermediate weights above 48,000 pounds an allowance of $1 is made for each 103.96 pounds.

The act of 1876 provided that land-grant roads should only receive 80 per cent of the compensation authorized by the act of 1873. Such roads are also subject to the percentage reductions applicable to nonland-grant railroads and to a further reduction by the act of May 12, 1910, reducing the rate for each 2,000 pounds in excess of 48,000 pounds from $17.10, the rate prescribed by the act of 1907, to $15.39. The percentage reductions on the $1 allowance applicable to nonland-grant railroads are also made applicable to land-grant railroads.

The objections of the Post Office Department to the present system can perhaps best be stated by quoting below from Document No. 105, wherein the substitution of a space plan is recommended:

It (referring to the space plan recommended) will insure payment at an ascertained, known, and reasonable rate for services performed, and will put at rest the question of overpayment, or adequacy or inadequacy of the rates. A further advantage would be gained by the elimination of the weighing of the mails as now conducted. The plan proposed would eliminate all distinction between payment for weight and payment for space, and would adopt but one unit, namely, that of space occupied by the mails in transit and the length of haul of the same. (Doc. No. 105, p. 15.)

Under the new plan the method of fixing railway-mail pay in accordance with weight will be entirely abandoned. The weighing process has not only proved to be a most expensive operation, but it has been quite unsatisfactory as a basis for adjusting compensation. The laws now in force relative to railway-mail pay provide that the compensation shall be adjusted on the basis of the average daily weights carried over the several established railway routes, and that an additional amount may be allowed for railway post-office cars when the space for distribution purposes occupies 40 feet or more of the car length. No additional compensation is allowed for space for distribution purposes occupying less than 40 feet of the car length. This distinction is a purely arbitrary one and without any logical reason for its existence. It affords a striking example of the unscientific and unbusinesslike methods now followed in adjusting railway-mail pay. (Doc. No. 105. p. 3.)

Hon. Joseph Stewart, Second Assistant Postamster General, in Volume I of the hearings, page 28, makes the following statement:

The space basis seems to present a definite and scientific gauge of measuring the service and paying for the service rendered and received. It furnishes a means of definitely settling the question of the adequacy of rates paid and putting an end to the endless controversy that is going on and always will go on * * * to the annoyance of the department, Congress, and the railroad companies themselves.

An analysis of the foregoing recommendations in favor of a space basis disclose the following objections of the Post Office Department to the present system of pay:

(1) That rates will continue to be profitable to certain railroad companies and unprofitable to others.

(2) That the question of adequate or inadequate rates will continue.

(3) That the expensive method of weighing the mails, which has proven unsatisfactory as a basis for adjusting compensation will be continued.

(4) That two units of pay, namely, space and weight, will be continued.

(5) That the present method is an indefinite and unscientific gauge of measuring the service, and one, which, if continued, can only result in continued controversy to the annoyance of the Post Office Department, Congress, and the railroads themselves.

With the exception of the passenger service (vol. 1, p. 128) the railroad companies regard weight as the test or measure of the service performed in all transportation, as "weight is a given, definite thing that adjusts itself" (vol. 5, p. 667), "and that you can not devise any rule or law that would define space in its application to the service that would eliminate the discussion and operate as weight does, a self-determining factor of the service rendered" (vol. 5, p. 668). They assert that "weight must be the gauge and space merely an incidental" (vol. 1, p. 125), but admit that space is and necessarily

must be used as a measure to gauge the service rendered in certain limited cases. For instance, that buggies set up should take a higher proportionate rate than buggies knocked down because of the greater amount of space the former occupies in the car. In the freight service, however, rates based on space are the exception. Likewise in the Railway Mail Service a rate based on space, so far as the aggregate compensation derived from such a basis is concerned, is the exception rather than the rule. This exception is instanced in the traveling railway post-office car of 40 feet and more in length, which exception, according to the railroad's contention, should be extended to include apartment cars or cars of less than 40 feet in length. (Vol. 5, p. 726.)

Mr. H. E. Mack, mail traffic manager of the Missouri Pacific Railway Co. and one of the mail experts of the railroad's committee on railway-mail pay, in response to a question of Chairman Bourne as to what factors he would take into consideration in the fixing of mail rates, says:

> The weight of the mail transported and the post-office cars hauled. These are the two factors in the performance of the service. We have that basis to-day and a single standard of weight, or a single standard of space, would not be a proper basis of pay. (Vol. 5, p. 663.)

Mr. Mack, continuing on page 655, says:

> The present plan should be extended to pay for the apartment cars. The apartment cars are under one basis only at the present time, and that is the weight basis, and we believe it should be extended to include the space basis also.

To the extent above indicated, and only to that extent, are the railroad representatives, with the exception of Mr. E. G. Buckland of the New York, New Haven & Hartford Railroad Co. (vol. 1, p. 275), in accord with the department's or any other proposed space or cost recommendations. They stand squarely on the weight basis and the principles of the present law. While insisting on the basic principles of the present law they think it should be amended in certain particulars to correct alleged existing inequities.

In the hearings it was suggested that the representatives of the railroads prepare a concrete bill for submission to the members of the joint committee. In response to this suggestion Mr. Ralph Peters, the chairman of the committee on railway mail pay, did, on February 12, 1913, submit a bill, which is in the language following, to wit:

> A BILL To provide for the transportation of parcel-post matter, to amend existing laws relative thereto, and to equalize pay for mail service on railroad lines.
>
> *Be it enacted by the Senate and House of Representatives of the United States in Congress assembled,* That the proviso in the act of March third, nineteen hundred and five, "That hereafter, before making the readjustment of pay for transportation of mails on railroad routes, the average weight shall be ascertained by the actual weighing of the mails for such number of successive working days, not less than ninety," be, and the same is hereby, repealed, and that hereafter such weighings shall be simultaneous on all railroad mail routes not less frequently than once in each year; and the Postmaster General is hereby authorized and directed to require a railroad mail carrier to provide for the carriage of the mails between its trains and a post office or postal station only where such post office or postal station is located in a railroad depot or station of such carrier, and the Postmaster General is hereby authorized and directed to pay for space used as railway post offices in apartment cars in proportion to the present rate allowed for postal cars sixty feet in length. (Vol. 1, p. 181.)

The provisions of the bill are substantially those recommended by the short-line railroads, with the exception that such roads further recommend increasing the rate of pay per mile per annum on roads carrying whole length to $75 for any number of pounds up to and including 500. (Vol. 5, p. 830.)

The recommendations of the foregoing bill are:

(1) An annual instead of a quadrennial weighing;
(2) Relief from side and terminal service;
(3) A pro rata compensation for postal cars less than 40 feet in length.

These will now be discussed in the order stated:

## ANNUAL WEIGHINGS.

The Post Office Department, perhaps for the purpose of convenience, has divided the country up into four weighing sections. The law provides that the mails shall be weighed not less frequently than once in four years, and the department in its administration of the law has strictly adhered to this minimum. The result is that the mails in each section are weighed only once in every four years, the equivalent of once in every four years for the entire county.

The department adheres to the minimum because of the alleged additional expense that would be entailed if more frequent weighings were had. The estimated cost of weighing the mails is stated to be $1,600,000 for the whole country, or $400,000 for each section. (Doc. 105, p. 15; hearings, vol. 1, p. 14; vol. 4, p. 599.)

The railroads contend that the mails should be weighed and adjustments made annually by the Postmaster General, who now has full authority to do so. (Vol. 1, p. 53.) They further contend that quadrennial weighings are not fair to them, for the reason that they receive no pay whatever for the increased weight per year throughout the four-year period. (Vol. 1, pp. 117 and 299; vol. 4, pp. 584–585; vol. 5, pp. 724–725.) Estimating the increased weight per annum for which they receive no pay at 6 per cent, means a reduction in their compensation of nearly $3,000,000. (Hearings, vol. 1, p. 53.) Mr. W. A. Worthington, assistant director of maintenance and operation, Southern Pacific Co., states the loss for the fourth contract section (Western States) to be $2,800,000. (Vol. 2, p. 342; see also chart there referred to.)

Mr. Baldwin, vice president of the Burlington system, in response to a question of Senator Weeks as to whether, in the event the mails were weighed every year, it would be fair to the railroads to pay three-fourths of the expense, says:

> Our impression, Mr. Weeks, has been that the weighing every year, for 35 days, properly organized, will cost very little more than weighing quadrennially for 105 days. I think the railroads ought to be willing, speaking for myself, to share in any increased expense. (Hearings, vol. 1, p. 132.)

If it were practicable, both from an administrative and economical standpoint, the fairest method of ascertaining the weight of the mail would be to weigh every day, but as to this the evidence is conflicting. Mr. Ralph Peters, chairman of the committee on railway mail pay, expresses himself in the affirmative. (Hearings, vol. 1, pp. 188 and 189.) Mr. H. E. Mack, manager of mail traffic of the Missouri Pacific and one of the mail experts of Mr. Peters's committee, ex-

presses himself strongly in the negative. (Hearings, vol. 1, p. 308.) While Mr. Peabody, statistician of the Atchison, Topeka & Santa Fe, suggests the possibility of developing an automatic weight-recording device. (Hearings, vol. 3, pp. 465 and 493.)

On October 29, 1913, Mr. Lloyd introduced a bill (H. R. 9071, 63d Cong., 1st sess.) "Providing for the annual weighings of the mails." The bill reads as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That hereafter, in order to readjust the compensation on railroad mail routes as provided by law, the Postmaster General shall have the mails weighed simultaneously in all sections of the country annually, for not less than thirty successive working days selected by the Postmaster General, as shall represent most nearly the average weights for each annual period as shall be fair and just to both the Government and the railroads, such weights to be taken by employees of the Post Office Department, except the Postmaster General may require contractors on railroad mail routes, where practical for regularly employed force at railroad stations to weigh the mail, to have such employees take and report the weights upon forms provided and under regulations prescribed by him, all such railroad employees being sworn, and for this purpose all postmasters are hereby empowered to administer oaths on forms provided by the Postmaster General.

The purpose of the bill as stated by Mr. Lloyd (Cong. Rec., Oct. 29, 1913, p. 6500) is:

First. To authorize the Postmaster General to require the railroad companies to have their agents weigh the mails, where their regularly employed station forces can do the work.

Second. To reduce the period of weighing from 105 to 35 days.

Third. To provide an annual weighing of the mail instead of quadrennial.

In conclusion he summarizes the effect of his bill, if adopted, as follows:

During the last four years there were employed 3,260 weighers for 105 days, at $3 per day each, a total cost of $1,026,900. There were employed 840 station weighers for 105 days, at $2.50 each, $211,050. There were also employed 372 tabulators for 105 days, at $3 per day, $117,180. A total cost of $1,355,130; an average annual cost of $338,702.50. Under the proposed law the train weighers would be eliminated; station weighers would be employed only 35 days, which would cost $70,350. Tabulators would be employed for 35 days and would cost $39,060, a total annual cost of $109,410, or less than one-third the present cost.

Under his plan no weights will be taken on the trains. The mail will be weighed on and off at stations by railroad employees under oath, except at large terminals and junction points where Government weighers will be stationed, and where the Postmaster General, for the purpose of checking or verification, may deem it expedient to have such employees.

With reference to possible collusion he makes the following statement:

In order to effect collusion it would be necessary that all these parties should be implicated, because every one of these agents and also the Government weighers at the terminals would not only have to participate in the collusion but each would have to know exactly what extent any weight padding were attempted.

It would appear that the object sought in this bill is a move in the right direction and that its provisions, if collusion is prevented as claimed, should be satisfactory to both the railroads and the Government.

SIDE AND TERMINAL SERVICE.

Under postal laws and regulations the railroads are required to take the mails from and deliver them into all terminal post offices, whatever may be the distance between the station and post office, the distance to be computed in and paid for as a part of the railroad route; also to take the mails from and deliver them into all intermediate post offices and postal stations located not more than 80 rods from the nearest railroad station. (Sec. 1911, Postal Laws and Regulations, 1902, or amendments thereof.) For the latter service the railroads receive no extra compensation and for the former, according to the railroads' representations, inadequate compensation.

The railroads contend that such services are not reasonably a part of the railroad transportation service and can not lawfully be required of them as common carriers. (Hearings, vol. 5, p. 726.) Hon. Joseph Stewart, Second Assistant Postmaster General (vol. 1, p. 17), maintains that the department can not do otherwise; in fact, asserts that it is its duty to continue the requirement, referring in support of his statement to a decision of the Court of Claims, wherein it was held upon a suit to recover for side service that Congress, when it fixed the rates provided for in the law of 1873, had in view the continuance of the requirement under the old contract service applicable to star-route service, namely, to deliver the mails into every post office along the route. (Jacksonville, Pensacola and Mobile Railroad Company *v.* The United States, 21 Ct. Cls. R., 155; affirmed on appeal, 118 U. S. R., 626; Eastern Railroad case, 20 Ct. Cls. R., 41; affirmed on appeal, 129 U. S. R., 391; Minneapolis and St. Louis Railway Company *v.* The United States, 24 Ct. Cls. R., p. 350.)

Second Assistant Postmaster General Stewart testifies, volume 1, page 17, of the Hearings, that if the Government were compelled to provide and pay for side and terminal services that it would cost it over $4,000,000 per year. Mr. H. E. Mack, of the Missouri Pacific, in his testimony, volume 1, page 211, after referring to report made by former Postmaster General Meyer on February 19, 1909, to the Senate Committee on Post Offices and Post Roads, wherein the estimated value of this service was given as $4,393,000 per annum, says:

> It may be fair to assume that its value is higher to-day, as the rate per mile traveled on mail messenger service routes in 1909 was 12.28 cents, while in 1911 it was 13.36 cents.

As far back as 1898 former Assistant Postmaster General Shallenberger, testifying before a subcommittee of the Senate on the Post Office appropriation bill, stated in effect that out of 27,000 stations supplied by messenger service 7,000 of them were supplied by the Post Office Department at a cost of between $1,000,000 and $1,100,000, leaving the other 20,000 stations to be supplied by and at the expense of the railroads, on which basis it would have cost the Government at that time $3,000,000 or over to perform the entire service. (Vol. 2, Postal Commission Report, 1900–1901, p. 731.)

The railroads frankly admit that they can perform the service much more economically than the Government. (Vol. 1, pp. 211, 231, 232; vol. 5, p. 725.) On the other hand, they allege that in many cases the cost exceeds the payments for the routes on which

such services are rendered. (Preliminary Report, p. 27; Hearings, vol. 1, pp. 66–69, giving in detail requirements made by postal laws and regulations; vol. 1, pp. 129, 231, 254, 268; vol. 3, pp. 513–14; vol. 4, pp. 546–47, 556, 570–71.)

Mr. H. E. Mack, manager of mail traffic, Missouri Pacific Railway Co. (Hearings, vol. 1, pp. 210–222), in making a general statement with reference to this subject, testified that out of an annual railway mail compensation of $2,500,000 received by his company $25,000 to $30,000 was expended for side service. The compensation of that company was approximately one-twentieth of the total railway mail pay. If the same proportion of expense were applied to the railroads receiving the remaining nineteen-twentieths of the total amount paid by the Government for the carriage of its mails, the total cost to them for side service would be $500,000, which, from the testimony, would appear to be a very conservative estimate. (See also p. 570, vol. 4.)

The cost for side service falls particularly heavy on the short-line railroads. They are the retailers of mail transportation, and as stated (vol. 1, p. 212), side service would cost them proportionately much more than it costs the larger railroads. Mr. Peters (vol. 1, p. 183) states that "the length of the road is counted not to the station but to the post office; mails are handled to the station by train and then special contracts are made for wagon service from the station to the post office, which is, in many cases, three or four times the amount of compensation that the railroad gets by having that distance included as constructive mileage for the railroad." Illustrations indicating that payment for constructive mileage referred to by Mr. Peters is often inadequate to cover expenditures made and service performed may be found in the Preliminary Report, page 27, and volume 5 of the Hearings, pages 830 to 845, inclusive.

While the testimony does not disclose with particularity how $4,393,000 was arrived at as the cost to the Government should it undertake this service, it does strongly indicate that it is a service that can be performed much more cheaply by the railroads. If it should be determined that side service is not properly one of transportation and can not in equity be required of the railroads, the railroads should either be relieved of that service or else receive a fair compensation for its performance.

The estimated cost of $500,000 to the railroads can not but be regarded as a conservative one, particularly in view of demands by contractors for increased compensation because of parcel post and the hiring of extra employees by the railroads to take care of that business.

It would appear therefore that it would be to the interest of the Government to accept the second alternative, namely, to permit the railroads to continue the service at a remuneration fair and adequate.

## APARTMENT CARS.

### GENERAL STATEMENT WITH REFERENCE TO RAILWAY POST-OFFICE CARS.

As already indicated the law of 1873 made weight the measure or yardstick in the determination of the compensation that the railroads should receive for carrying the mails. At that time, however,

the railway post-office car had begun to reach a stage of development as to warrant an inquiry as to whether or not a compensation based on weight alone would be sufficient to compensate the railroads for the weight carried and facilities furnished. It developed that because of the post-office fixtures contained in the car and the necessary space that had to be set apart for the postal employees to work the mail contained therein, only a limited amount of mail could be carried, averaging between 2½ to 3 tons. These cars weighed anywhere from 90,000 to 100,000 pounds. Since the proportion of dead weight so far exceeds the paying load, it is manifest that a rate based on weight alone would be unfair and noncompensatory to the railroads. Space here, in all justice and equity, ought to have been, as it was, recognized. The law of 1873, therefore, wisely provided for a rate based on space to increase the inadequate rate that would be paid if weight alone were the measure. Payment upon this basis represents 10 per cent of the compensation that the railroads receive for transportation and facilities furnished.

The rates for railway post-office cars provided by the act of March 3, 1873, and as amended by the act of March 2, 1907, together with rates for cars of 40 feet and over in length are stated on page 906 of this memorandum.

### APARTMENT CARS.

The records do not disclose why, under the law of 1873, compensation was not allowed for cars of less than 40 feet in length. These cars, in proportion to their length, are fitted up similarly as the regular post-office car of 40 feet or more in length. They are provided with letter boxes, racks, and other post-office facilities to aid in mail distribution en route. These facilities restrict the paying load that can be carried the same as in the regular railway post-office car. Notwithstanding this, they only receive a transportation rate measured by the weight of the mail contained in the car.

The Second Assistant Postmaster General, in his annual report for the fiscal year ending June 30, 1913, gives the number of apartment cars in use and in reserve as 4,029, 181 of which are of steel, 221 of steel underframe, and 3,627 of wood construction. If the different lengths stated by the Postmaster General were consolidated into 15, 20, 25, and 30 foot cars and compensation prorated on a 40-foot car, as suggested in the Talbott bill, printed in full on page 71 of the preliminary report and frequently referred to in the hearings, a 15-foot car would receive $9.375, a 20-foot car $12.50, a 25-foot car $15.625, and a 30-foot car $18.75, these amounts being three-eighths, one-half, five-eighths, and three-fourths, respectively, of $25, the amount stated in the law as the compensation per mile per annum for a 40-foot car.

Former Postmaster General Hitchcock, in referring to the discrimination made in the law of 1873 in favor of railway post-office cars of 40 feet and over in length, made the following statement:

> This distinction is a purely arbitrary one and without any logical reason for its existence. It affords a striking example of the unscientfic and unbusiness-like methods now followed in adjusting railway-mail pay. (Doc. 105, p. 3.)

In this connection, the following is quoted from a memorandum dated January 17, 1913, prepared by Hon. Joseph Stewart, Second

Assistant Postmaster General, on behalf of the Post Office Department:

> The facts are that apartment-car service existed long before full railway post-office car service, and the Postmaster General was authorized by the act of 1872 (17 Stat. L., 309) to compensate railroad companies who furnish railway post-office cars by allowing such additional compensation beyond that allowed for the service as he might see fit, not exceeding, however, 50 per cent of such rates. It was not until the law of 1873 that Congress afterwards authorized specific additional payment to the transportation pay for full railway post-office cars. This statute, however, repealed the act of 1872 and left the Postmaster General without authority to make specific payment for apartment cars. (Preliminary Rept., p. 107.)

In Document No. 105 the railway post-office car distribution space is stated to be 431,210,671.03 car foot miles and the apartment car space 364,370,259.64 car foot miles. Dividing the railway post-office car space into that of the apartment car space a percentage of approximately 84.5 is arrived at. Applying this percentage to $4,367,029.16, the amount stated in the Second Assistant Postmaster General's report for the fiscal year ended June 30, 1912, as the railway post-office expenditure for that year, a product is reached of $3,690,139.63 as the amount the railroads should receive for their apartment-car service, or, as they would probably state it, the amount of their underpayment. (Mr. Newcomb, statistician for the committee on railway mail pay, states the amount to be $4,008,643.06. Vol. 1, p. 116.)

The railroads' committee on railway-mail pay in its letter of October 3, 1912 (preliminary report, p. 7), and again in its brief filed with the joint committee on June 26, 1913 (vol. 5, p. 726), in addition to the foregoing recommendations, ask for a repeal of the act of March 2, 1907, reducing the rate of pay for weights in excess of 5,000 pounds and for railway post office cars, and that they be relieved of the further application of divisor order No. 412, issued by ex-Postmaster General Meyer on June 7, 1907.

The reductions in pay occasioned by the law of 1907 computed on weight of the mails and for postal cars are stated by Mr. H. T. Newcomb, statistician for the committee on railway-mail pay, from figures taken from the annual reports of the Second Assistant Postmaster General for 1907 and 1908 (vol. 1, pp. 98 and 99) to be $2,676,468.72.

The reductions occasioned by divisor order No. 412 are stated by Mr. Newcomb, from figures taken from the report of the Second Assistant Postmaster General for the year 1910, to be $4,941,940.34.

The divisor order referred to may be briefly described as one requiring that the whole number of days included in the weighing period shall be used as a divisor for obtaining the average weight per day instead of successive working days, excluding Sundays as heretofore. This order was made almost contemporaneously with the passage of the law of 1907 just referred to. The railroads assert that "had Congress been advised of the purpose of the Postmaster General to issue an order increasing the number of days taken as the divisor, the statutory reductions of May 2, 1907, would not have been adopted." (Vol. 1, p. 99.) This contention of the railroads has been sustained in the recent case of Chicago & Alton Railroad Co. *v.* The United States, rendered by the Court of Claims on June 2, 1913. That court has declared the order in question to have been issued without author-

ity of law and the plaintiff entitled to a judgment in the sum of $82,604.84, said amount representing the difference in the amount it should have received had a divisor of "six," instead of "seven," been used. The case is still pending before the Court of Claims on alternative motions by representatives of the Government; namely, for a restatement of its finding of facts or an opening up of the whole case de novo.

From the foregoing it would appear that, if the present system of pay is to continue, the railroads are entitled—

(1) To an annual weighing.

(2) Relief from or adequate compensation for side and terminal service.

(3) Extra pay for apartment cars.

It would also appear that by the elimination of these items as a basis on which to compute their compensation the railroads are underpaid as follows:

| | |
|---|---|
| On annual weighings | $2,900,000 |
| Side and terminal service | 500,000 |
| Apartment cars | 3,700,000 |
| Total | 7,100,000 |

(In this connection, see pp. 958 and 959 of this memorandum.)

It is believed for reasons indicated on prior pages of this memorandum that the estimate for the two latter items are more than conservative.

Since the railroads have received a favorable decision in the divisor-order case and the legality of that order is still before the courts for final determination, it would appear only proper that congressional action be suspended until the case has reached the Supreme Court and its decision rendered. It will then be time enough to consider the reductions made in the law of 1907. The impression gained from the quotation appearing on page 917 of this memorandum, taken from volume 1, page 99, of the Hearings, is that the protests of the railroads against the reductions made by that law have been occasioned more because of the rendition and application of the administrative order referred to than the specific reductions made in the law itself.

On the whole it would appear that if the railroads are able to secure annual weighings, additional pay for their apartment cars, a fair remuneration for their side and terminal service and relief from the further application of the divisor order that the law of 1907 should remain undisturbed, and this without depriving the railroads of a fair return on service rendered and property employed.

## Space Basis.

[Recommended by the Post Office Department in House Document 105, Sixty-second Congress, first session, and as subsequently modified by it as will appear by reference to pages 96 to 111, inclusive, of the chairman's preliminary report to the joint committee, dated January 24, 1913.]

The conclusion reached by the Post Office Department with reference to the foregoing heading was the result of an investigation authorized by the act of March 31, 1879, reading as follows:

The Postmaster General shall request all railroad companies transporting the mails to furnish, under seal, such data relating to the operating, receipts, and expenditures of such roads as may in his judgment be deemed necessary

to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same; and he shall, in his annual report to Congress make such recommendations, founded on the information obtained under this section, as shall, in his opinion, be just and equitable.

Intermittent efforts to secure information called for under the law developed the fact that the information was not obtainable. In 1907 ex-Postmaster General Cortelyou vitalized the law in an effort to secure the information. His action was followed by his successor, ex-Postmaster General Meyer, and further initiation made by efforts to secure information by preparation and submission to the railroads of a series of questions. The work continued and was completed during the administration of ex-Postmaster General Hitchcock through the efforts of an administrative commission, of which his Second Assistant, General Stewart, was chairman.

The result was the submission to Congress, through the Speaker of the House of Representatives, under date of August 12, 1911, of a new plan of compensating the railroads for carrying the mails, together with a concrete bill embodying in legislative form the principles of the plan recommended. The matter transmitted was printed and numbered "Document 105, House of Representatives."

The railroads claim that in round numbers it cost them a quarter million of dollars to secure the information sought for by the department (Vol. 1, p. 187). Two appropriations were made by Congress of $10,000 each to enable the Post Office Department to compile and tabulate the information contained in the answer to its interrogatories. All but about $500 of these two appropriations were expended.

As already indicated on page 901 of this memorandum, a more complete history, leading up to the compilation of data and the recommendations contained in Document No. 105, may be had by reference to the literature there stated.

## ORIGINAL PLAN.

The department selected the month of November, 1909, as the period in which to obtain the data on which Document No. 105 was formulated. As stated in Document No. 105, railroads representing 88.95 per cent of the total railroad mileage of the country responded to the request for information and in the manner prescribed by the forms and instructions prepared by the department and submitted to them.

In brief, the plan of the department is to substitute space for weight as the main factor to be used in the determination of the compensation to be paid the railroads for carrying the mails. At present 90 per cent of the railroad pay is based upon weight and 10 per cent, represented in the railway post-office car, upon space. The department proposes to reverse these percentages to 90 per cent space and 10 per cent weight; the latter being represented by the closed-pouch service.

To measure the space used, it has made a linear car-foot the unit. It has taken the linear car-foot mile as the yardstick or measure by which to determine the cost incurred by the railroads in the performance of the mail service. The plan recommended can therefore properly be denominated a space plan based on cost.

Its first step was, as more fully explained in Document No. 105, p. 7, to allocate the expenses and taxes common to freight and passenger service, respectively. Having thus ascertained the expenses and taxes chargeable only to the passenger business, it then ascertained the number of car-foot miles made in that service. The car-foot mileage was then apportioned between passenger proper, mail, and express. Applying the car-foot mileage made in each service to the total passenger car-foot-mileage a percentage is obtained of what each service should contribute to cost of operation and taxes. The total passenger expenses multiplied by the percentage thus obtained gives the operating cost for each service.

Having ascertained in the manner briefly outlined above the proportion of passenger operating expenses and taxes chargeable to the mail service, it then proposes, in addition to reimbursing them for the cost incurred and taxes paid on account of mail service, to pay them a 6 per cent return on such cost, including taxes, leaving out altogether any calculation of cost of road, terminals, and equipment.

The conclusion reached by Ex-Postmaster General Hitchcock, as stated in his letter of August 12, 1912, transmitting the recommended plan to Congress, was:

> The railroads are receiving from the Government for transporting mails payments considerably in excess of the cost of such service. The committee estimates that through a readjustment of railway-mail pay on the basis of cost with 6 per cent profit, a saving to the Government could be made of $9,000,000.

This statement, to say nothing of the inauguration of a new plan, naturally attracted the attention of the railroads and was the occasion of their making a united and strenuous protest to Congress in rebuttal of the Postmaster General's claim.

The basic reasons prompting the department to recommend to Congress the substitution of the plan proposed for the present system have already been indicated on page 910 of this memorandum, and it is unnecessary here to again specifically mention them.

That the Post Office Department, in its failure to make some allowance for capital cost, committed an egregious error, there can be no doubt, former Postmaster General Hitchcock himself inferentially, if not clearly, recognizing the inequity and injustice of his first proposal by providing in his modified plan (preliminary report, pp. 109 to 110, and hereafter more specifically referred to) for a fair allowance, to be determined by Congress, on the capital cost in addition to the 6 per cent return on the actual operating cost.

The department, too, from an analysis of the compilations made in Document No. 105, taking a 60-foot car as the standard, announced to the country that the railroads were receiving from their mail service a revenue of 4.14 mills per car-foot-mile, and from other passenger service 4.16 mills per car-foot-mile. The railroads regarded this as an inaccurate and misleading statement, as, from their figures, the revenue from mail per car-foot mile was 3.23 mills, and from other service 4.35 mills. The contention of the railroads was that the Postmaster General only provided for the minimum necessities of the postal service, refusing

> to credit the mail service with much of the space required by the department, although his figures for the other passenger-train service allowed fully for all such space actually required by them. In fact, in many cases such space actu-

ally required by the mails, and so reported by the railways, was taken from the total mail space, and, without reason, assigned to the passenger service. (Preliminary report, p. 13.)

The railroads reported that 9.32 per cent of all the car space was devoted to the United States mails as against the department's figure of 7.18 per cent. (Vol. 5, p. 73.) The amount of space rejected by the department, and which the railroads claim should be restored (vol. 5, p. 733), was 211,413,012.90 car-foot miles (Document 105, p. 59), resulting in an estimated annual loss to the railroads of approximately $10,000,000. (Vol. 5, pp. 734–735.) Since the evidence discloses that the railroads are only receiving, on the basis of a 60-foot car, 19 to 20 cents per car mile from their mail service, the indication is that the department erred in its assignment of car space to the mail service. That it did so is practically admitted by the department, which admission will be more specifically referred to in the discussion following the next succeeding paragraph on the "Department's modified plan."

The railroads further claim in effect that the department paid no proper regard to figures presented by the railroad companies with reference to amounts expended by them for station and terminal services required by the department and the amount of free transportation furnished on the Postmaster General's requisition for officers and agents of the postal service when not in charge of the mail. (See General Stewart's statement, vol. 1, p. 27, for value of such transportation.)

### DEPARTMENT'S MODIFIED PLAN.

The department, as already indicated on page 902 of this memorandum, in response to various objections urged by the railroads, made certain modifications of its original proposal in that the plan should provide for a fair and reasonable allowance on capital necessarily employed in connection with the mail service; that it should empower the Interstate Commerce Commission rather than the Postmaster General to make the separation of operating expenses between passenger and freight service, and that "in computing the car-foot miles the mail service should be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction." (Preliminary report, pp. 96, 108, and 111.)

The department admits that the railroad companies should be fully compensated for the service they perform from year to year, as well as the special services between stations and post offices and for the furnishing of apartment cars, but claims that compensation for these services are fully provided for in Document No. 105. (Preliminary report, p. 107.)

It admits that data relative to personal transportation were not considered owing to the fact of its inability to satisfactorily verify the data reported by the railroad companies and the fact that similar data regarding the passenger service were lacking. (Preliminary report, p. 104.)

With reference to the department's concession that a fair allowance should be made on the capital employed in connection with the mail service, the following is quoted from a memorandum prepared by

Mr. V. J. Bradley and made a part of the final brief of the Committee on Railway Mail Pay, printed in volume 5, pages 720 to 736, inclusive:

> The capital cost, if calculated on the Post Office Department's figures (Document No. 105, p. 280), would take note of the fact that railway expenses and taxes chargeable to the mail service were $2,682,797.92, in comparison with total operating expenses and taxes (both freight and passenger) of $137,355,150.79, or 1.95 per cent. Hence the mail service should be charged with the use of 1.95 per cent of the total railway property having a net capitalization of $14,000,000,000, or a charge of $273,000,000. Interest at 6 per cent on this sum would require an annual payment by the Post Office Department of $16,380,000. Matching this against the finding of the Post Office Department of a saving to the Government of $9,000,000 per annum, it is evident that despite its rejection of essential car space and despite its special formula for dividing railway expenses, its own investigation shows an underpayment to railways of $7,000,000 a year.[1] (Vol. 5, p. 733.)

While the department through its Second Assistant Postmaster General admits that—

> upon further and more careful consideration of the subject we were convinced that the railroads were entitled to consideration for this additional element (vol. 1, p. 9).

he does not admit the premise of Mr. Bradley as to the capitalization given or the rate stated on the mail's proportion of such capitalization. (Vol. 1, pp. 9, 16, 18, 20.) He does admit, however, in response to a question of the chairman, without stating what percentage should be applied to the capital employed in the mail service, that a fair allowance contemplated in the modified plan would wipe out the estimated saving of $9,000,000. (Vol. 1, p. 8.)

If a 6 per cent allowance were made on 1.78 per cent (percentage of mail revenue to total operating revenue for the year 1910) of an estimated railroad capitalization of $14,000,000,000, the railroads would receive $15,000,000 more annually than they now receive. If in the preparation of Document No. 105 the percentages and figures stated had been applied, the $9,000,000 saving to the Government would have been converted into an apparent underpayment to the railroads of at least $6,000,000. General Stewart admits this, granting the premises stated. (Vol. 1, p. 20.)

That the department did exclude from the mail service and throw into the passenger service car-foot miles which had no proper application to that service is practically admitted by it on the record made. By reference to volume 2, page 324 of the hearings, it will be noted from a joint letter signed by railroad and departmental representatives that an agreement was reached between them that the earnings derived per car-foot mile in mail service was 3.37 mills, and from other passenger service 4.34 mills, thus converting a 2-point excess of passenger revenue over that of mail (as originally announced by the department) to a 97-point excess. The department's mistake was to have taken car-foot miles which could be used for no purpose other than mail and bodily transfer it to the passenger service, where it could have no possible application. What it should have done, if the car-foot miles were to be discarded at all, was to ex-

[1] The mail percentage of the total operating revenues of the railroads is stated to be, on page 57 of the "Text of the Twenty-fourth Annual Report of the Statistics of Railways in the United States for the year ended June 30, 1911," 1.82 per cent.
On page 33 of the same report the total railway capital, including stock and funded debt, is given as $19,208,935,081; net capitalization, $15,008,707,570.

clude them from both services. Then the relative percentages of cost and revenue would not have been affected. The railroads would not then have been subjected to the erroneous impression that they were receiving approximately as much from their mail as their passenger business. (See pp. 961 and 962 of this memorandum for a further discussion in support of what is stated in the foregoing paragraph.)

As to other admissions by departmental representatives with reference to improper assignment of space as represented in car-foot miles, and referred to by others, see preliminary report, pages 96 and 111; volume 1, page 303; volume 2, page 406; volume 3, pages 509, 510, 511, 512, 513, and 514; volume 5, pages 647 and 648.

The objections of the railroads to a space basis, briefly, as summarized by the chairman, volume 2, page 356, is:

> That it is undesirable from the governmental standpoint as being impracticable of administration, and from the transportation standpoint as being inequitable to the transportation companies and necessitating a very expensive method of accounting in the transportation companies.

The most elaborate objections to a space basis are stated by Mr. H. E. Mack, mail traffic manager, Missouri Pacific Railway Co., and Mr. V. J. Bradley, general supervisor of mail traffic, Pennsylvania Railroad system, as will appear by reference to their statements printed, respectively, in volume 1, pages 301 to 312; volume 4, pages 624 to 625. In Mr. Mack's opinion the plan proposed by the department would result in space being determined upon judgment and opinion which "would provoke continuous and interminable dispute and dissatisfaction"; would afford opportunity for favoritism, political pull, with unavoidable resultant scandals. In addition to the alleged instability of the plan occasioned by determination of space used upon the judgment and opinion of an administrative officer, he regards the plan as unscientific, for the reason that "the mail pay would be fixed, not merely by the mail space used, but would be largely regulated and determined by the number and size of the passenger or baggage cars in the train."

Neither Mr. Mack nor Mr. Bradley seems to subscribe to the view entertained by other railroad representatives, particularly Mr. Worthington and Mr. Peters, that the adoption of a space plan would mean concentration of load in railway post-office cars with resultant decrease in their revenue. This phase of the subject, together with the variety of rates that a space basis would occasion, and which is another objection stated by Mr. Mack to its adoption, will be more specifically referred to in the discussion of the "four-unit" or "Lloyd plan," on pages 930 to 935, inclusive, of this memorandum.

The objections of Mr. Peters, chairman of the committee on railway mail pay, may be found stated in the hearings, volume 1, pages 43, 45–46, 126–127; his views as summarized by Chairman Bourne, volume 1, pages 129–130, and volume 5, page 636; of Mr. Worthington, of the Southern Pacific Co., volume 2, pages 350 to 360, inclusive; of Mr. Rowan, of the New York Central lines, volume 4, pages 579–580, 595 to 600, inclusive; of others, volume 1, pages 233–249, 254; volume 4, page 540; as stated in the "Brief of the committee on railway mail pay," volume 5, pages 728–729.

COST.

The principal element of the department's plan is "cost." It has attempted to demonstrate the reasonableness of the compensation proposed to be paid the railroads on that basis. Space is used as a means to an end. A car-foot mile of space is the unit adopted by which to measure the cost incurred by and the proportion of taxes chargeable to the railroads in their rendition of mail service. As has been already noted, the department has conceded that the railroads were, in addition to 6 per cent on operating cost and taxes, entitled to receive a fair allowance on capital cost.

The mere suggestion of cost as a basis upon which to determine the compensation that they shall receive accentuates the opposition of the railroads to a space basis, of which cost is made the chief component.

The Second Assistant Postmaster General at the conclusion of a memorandum prepared by him (preliminary report, p. 108) and submitted to the joint committee on behalf of the Post Office Department, in referring to fully compensating each railroad company for the service rendered, says:

> The present plan does not do this, whilst the plan proposed by the Postmaster General in Document No. 105 seeks to do it.

The railroads do not at all admit such a premise. On the contrary, they assert with almost unanimity that no transportation rate was ever based on cost. The department has attempted to fix a reasonable rate on such a basis. The railroads, on the other hand, have failed, as the testimony will disclose, even to make an effort to demonstrate the reasonableness or unreasonableness of a rate on such a basis. It is true, individual roads have figured out a cost basis not acceptable to or followed by other railroads, and only acceptable to them for their own purposes and not as a basis for railway mail pay. Practically half of the roads seem to have a basis of accounting by which they can determine whether they are over or under paid for carrying the mails.

Mr. Peabody, statistician of the Atchison, Topeka & Santa Fe Railway system, from a reading of his testimony presented in volume 3 of the Hearings, refers with apparent satisfaction to a system his company has evolved of definitely ascertaining the cost of and revenue from each transportation service. A statistical statement showing this can be found by reference to volume 3, page 526, together with his explanation thereof on page 498 et seq. of the same volume.

Mr. Baldwin, vice president of the Burlington Railroad, in a letter to the chairman, dated February 19, 1913 (vol. 5, p. 759), refers to a pamphlet entitled "The mail pay on the Burlington Railroad," and printed in volume 5, pages 760 to 777, inclusive, as illustrating that his company has formulated an accounting system which "covers every question of cost and space and earnings."

The New York, New Haven & Hartford, the New York Central Lines, the Pennsylvania Railroad system, and the Long Island Railroad Co., of which latter Mr. Peters is president, all can say how much money they are gaining or losing in transporting the mails. How do they determine this except on cost? They do not answer, except to assert that the estimated cost of a specific service is not a

proper basis for fixing rates for the transportation of any commodity (preliminary report, p. 8); that such an ascertainment is impracticable, a guess, and unattainable (vol. 2, p. 374); that the fixing of a rate on such a basis is an absurdity (vol. 3, p. 506); and finally, as stated by Mr. Peters, that cost should be used "merely for comparison to know that you are going too high or that your rate is more than compensatory or less than compensatory"; that "cost is an element to consider in getting at what is a fair basis" (vol. 5, p. 636).

It would seem, therefore, that the railroads can so allocate their expenses between freight and passenger and then between the various passenger services as to satisfy themselves whether they are over or underpaid, necessarily implying the use of a cost determination to reach such a conclusion.

Mr. A. H. Plant, comptroller of the Southern Railway, in a paper submitted to the joint committee and printed on pages 628 to 632, inclusive, of volume 3 of the hearings, calls attention in effect to the impossibility of assigning railway operating expenses to the various classes of service for which such expenses are incurred, closing his paper with a report of a subcommittee on statistics of the Association of American Railway Accounting Officers, from which report the following quotation is made:

> *Resolved*, That this subcommittee concurs in the view expressed by the special committee on corporate, fiscal, and general accounts in the year 1906, and that this subcommittee, after due and deliberate consideration, reiterates that no fixed rule for the division of common expenses between freight and passenger can be devised which will be equitable to all carriers, to the same carrier under all conditions, or to all divisions of the same carrier.

Reference to pages 632 and 633 of the same volume will disclose that Mr. M. O. Lorenz, associate statistician of the Interstate Commerce Commission, who filed a memorandum in reply, does not agree with the conclusion reached by Mr. Plant, indicated by the following quotation:

> It should be stated that much of the opposition to cost estimates probably would disappear if it were thoroughly understood that the term "cost estimate" should be understood as meaning "cost and use" estimate. Common expenses can not be assigned in a convincing way to branches of traffic on the ground that each branch causes so much expense. What can be measured is the use which each branch of the traffic makes of the common facilities, and whatever may be determined as a fair measure of the use will also be a fair measure for the distribution of the expense.
>
> Mr. Plant's paper is purely destructive. In place of the post-office method, which he attacks, he gives us absolutely nothing to put in place of it as a means of ascertaining what is a fair payment to the railroads for the service of carrying the mails. The statement may be ventured without fear of contradiction that neither he nor any other railroad representative can suggest a method of telling whether the railroads are overpaid or underpaid for this service and demonstrate its correctness without directly or indirectly making a "cost and use" estimate.

To the claim frequently suggested by railroad representatives that a cost basis such as recommended would be discriminatory and inequitable to some roads (vol, 2, pp. 345 to 349), the suggestion might be made in response that the application of the present law has the same apparent result, as illustrated by the case of the New York, New Haven & Hartford Railroad Co. That company, as testified to by Mr. Buckland (vol. 1, p. 276), operates in round numbers 2,000

trains every day, most of which carry mail. In Document No. 105, page 63, the car-foot mileage of that company made in the railway post-office car service is stated to be 8,848,255.10, and in the apartment-car service 3,994,316.11, making a total car-foot mileage of 12,842,571.21 out of a total of 14,687,728.45 car-foot miles. Since the department under the law has the right to require of any railroad with which it has a mail contract to carry the mail "on any train which may run over its road, and without extra charge therefor," and since it appears from Mr. Buckland's testimony that the department exercised its right in this respect, the figures above given are significant to indicate the increased cost incurred by this company in having the car-foot mileage distributed among so many trains. The figures given indicate that a large proportion of the mail is carried in railway post-office cars, which under the most favorable conditions carry only on an average 2½ to 3 tons of mail. The distribution of mail among so many trains must therefore necessarily reduce this average load materially with resultant loss to that company. The loss to this company in carrying the mails, in document No. 105 is stated to be $16,201.15 for the month of November, 1909. The direct loss for this company in the carriage of the mails for the year ending June 30, 1911, is stated to be $297,371, eliminating any return on capital allowance (vol. 1, pp. 283 and 286). Mr. John Hall Bowman, a chartered accountant employed by the company, in his testimony (vol. 1, pp. 277 to 298) states the loss, making an allowance for capital charge, to be considerably more than this. To correct an impression gained from Mr. Bowman's testimony that the New York, New Haven & Hartford Railroad would have been the gainer by $93,000 one year and $97,000 another (vol. 4, p. 589) if they had been relieved from the carriage of the United States mail, Mr. Lorenz (vol. 5, p. 789) says:

> We must recognize a distinction between what have been called "out-of-pocket" costs and total operating expenses, both of these being distinguished from "total operating expenses, taxes, and fair return on investment." The carrying of the mails occasions out-of-pocket costs for the maintenance of mail cars, certain extra wages, lubricants, fuel, etc. If the mail revenue did not cover such expenses this traffic would be a drain on surplus, but there are other operating expenses which are no more directly connected with the mail traffic than are interest charges. Thus, the rotting of the ties would go on whether there were mail cars in the train or not; bridges would have to be painted, washouts repaired, etc., even if the mail traffic were discontinued. Concerning this the Interstate Commerce Commission has recently said:
>
> "Anything above the out-of-pocket cost of handling is a contribution to general expenses, and to that extent tends to relieve rather than burden other traffic." (Opinion No. 2141, Louisville & Nashville Railroad coal and coke rates, decided Jan. 7, 1913.)

He is satisfied, however, that the present law works out unjustly in the case of the New Haven.

### STEEL CARS; EFFECT ON SPEED AND HAULING RESISTANCE.

The New York, New Haven & Hartford Railroad being peculiarly a passenger road (operating many mail trains a day, the law requiring that all railroad post-office cars, except those which are now of steel or steel underframe, must be replaced by steel cars before the 30th of June, 1917, wooden cars to be retired at the rate of 25 per

cent per year), the loss to this company under the operation of the present law will be the more pronounced.

The replacement of wooden with steel cars suggested to Senator Weeks the desirability of having figures presented to show what increased cost there was incident to this substitution. In volume 5, page 641, he says:

> Here is a service which we admit is safer and better than the service which was rendered 5 or 10 years ago, necessarily the cars cost more, necessarily it costs more to haul the cars, and we would like to have those figures in the record.

To this suggestion a "Comparative statement of cost of handling steel and wooden postal cars" prepared by A. W. Gibbs, chief mechanical engineer of the Pennsylvania Railroad Co., was submitted for the record. (Vol. 5, pp. 642–643.)

Mr. Gibbs reaches the conclusion that the increased hauling resistance of the 62-ton steel postal car, as compared with the previous 40-ton wooden car, "is about 20 per cent at speeds of 30 to 60 miles an hour, reaching 22 per cent at 70 miles * * *. This per cent increase in resistance will result in an equal per cent decrease in the number of cars which can be hauled by a locomotive at the various speeds."

He further states that—

> As an incident of the introduction of the steel car we have been obliged to discard from the service in which these cars have replaced wooden cars practically an entire set of engines and substitute larger ones, and our annual statement of the coal consumed per car-mile seems to indicate an increase varying on different divisions from 9 per cent to as much as 19 per cent, and what is rather striking is an apparent diminution in the number of cars per train.

After mentioning the cost of construction of steel postal cars, their weight, their maintenance cost, and the 20 per cent increased tractive effort to haul the present steel equipment as the factors to be taken into consideration in attempting to measure the increased cost in the operation of steel cars, he concludes:

> Thus, not taking into account the question of wages, the increase of 105.1 per cent in the cost of construction, the increase of 41.2 per cent in the weight, the increase of 20 per cent in the resistance, with the large increase in the cost of maintenance, would, I think, justify the increase of from 5 to 10 per cent in compensation, notwithstanding the fact that it is impossible to attribute to each of these factors an exact money value.

To pursue the inquiry further, the chairman, under date of July 31, 1913, addressed a letter to Prof. E. C. Schmidt, University of Illinois, Urbana, Ill., having been advised that he had made a study of train resistance in relation to speed, asking whether he thought any formula could be worked out showing the increased cost of the faster over the slow passenger trains. Prof. Schmidt being absent on an extended vacation, Mr. A. M. Buck, assistant professor of railway engineering, replied for him. After stating that train resistance increases faster than in direct proportion to speed, and giving cost of fuel, supplies, labor, etc., maintenance of equipment; maintenance of way and structures; interest and depreciation; and general expense among the variables entering into the cost of passenger-train operation as a function of speed, concludes as follows:

> All things considered, high-speed trains cost more to operate in most respects save that of labor. The expense can not be stated as an exact function of the speed. The variables entering the problem are of so diverse a character and

are so little understood that no logical separation has as yet been made. While a solution of the problem in exact terms is probably desired by all the railroads, the cost of making the necessary cost analyses is so great that it is not likely it will be attempted on any comprehensive scale in the near future.

While no definite ascertainment can be had of the cost incident to increased train resistance by reason of the increased weight of the modern postal car, sufficient has been said to indicate that some provision should be made, under any basis of railway-mail pay, of remunerating the railways for an expense incurred, which appears to be a real although not a definitely ascertainable expense item. It is true that in the construction of the law of 1873 consideration was given to speed of trains and frequency of service, and the rates fixed were thought sufficiently high to recompense the railroads for the service rendered in those respects. However, the case of the New York, New Haven & Hartford Railroad Co. affords an illustration that no sufficient regard in the rates fixed by the present law is given to those cost factors.

The railroads do not agree with the department that the plan proposed by it will fully compensate each railroad company for the service rendered. They assert that it is seriously wrong in principle and would encourage and perpetuate injustice; that "it involves paying the highest rates to the railroad that by reason of physical disabilities or inefficient methods is most expensively operated and the lowest rates to the railroad which, by reason of the highest efficiency, operates at the lowest cost" (preliminary report, p. 19); that a rate based on cost would result in inequality of payment to railroads because of the varying operating conditions obtaining in different sections of the country and lead to a multiplicity of rates. To meet the objection just indicated a group basis was suggested, arranged either with reference to the geography of the country or density of traffic. It was argued, however, that the objections applicable to a cost basis applied to the railroads as a whole would be equally applicable if applied to railroads geographically arranged. The variation in operating conditions on and consequent variation in rates paid to the railroads generally would apply equally to the railroads within the group. The testimony on the whole indicates that a group basis would not aid in a solution of the problem. (Vol. 2, pp. 366–367, 370–371, and 390; vol. 4, pp. 619–620.)

It would appear that the argument the railroads make that transportation rates can not properly be based on cost is not tenable when applied to mail. Mail can be differentiated and disassociated from all commodities transported. It can not properly be regarded as an article of commerce. It it not a subject of barter and sale. The carriage of the mails is a Government function, to be wholly performed under its direction and supervision, the railroads simply being made the agent or instrumentality of the Government in such carriage. The railroads in constructing their commercial rates give due consideration to high and low grade traffic. Value is a material element; cost frequently an incidental one. In order that a low-grade article may get into the channels of commerce the railroads have to make a rate sufficiently low in order to enable the producer thereof to make his profit; otherwise the article would not move and same be lost to commerce. The rate fixed in many such cases does not cover

the actual cost of handling and hauling, yet it contributes something to overhead charges. The railroads are glad to get such traffic to fill up the space of their empty freight-car return movement. As already suggested it contributes something to overhead charges, producing some revenue which would not accrue if the car were permitted to return empty. If such a principle were applied to all traffic the railroads would soon be unable to meet their obligation and bankruptcy would be the inevitable result. A high-grade article will move because of its market value. The railroads not only endeavor here to fix a rate that will move the traffic but also to make it sufficiently high to cover the cost of operation and a return on investment.

The foregoing is sufficient to illustrate the railroads' contention that transportation rates are not and can not properly be based solely on cost. It sustains their implied argument that there are too many other additional factors to consider to warrant the utilization of cost as the sole test or gauge of the service rendered.

Mail is sui generis—it is a matter of governmental concern. It is an article not comparable with anything transported. The services required by the Government to be performed and expected by it to be performed by the railroads in connection with its transportation are stated with particularity. Why is it so difficult to ascertain the cost of performing these services? If the railroads had made the same effort to ascertain the cost of such services as they have to show underpayment, it would not be missing much the mark to state that the ascertainment would now be available.

The courts have held that the railroads, in the transportation of mail, are agents of the Government. As agents of the Government, and consequently performing a Government service, what more should they expect than a reasonable rate? If they are reimbursed for the cost incurred and taxes paid, and receive a reasonable return on such costs and the proportion of capital employed in the mail service, it would seem that a plan so providing should meet with their approbation.

If the department has evolved such a plan it would appear to be the ideal one of measuring the service rendered by the railroads and the compensation to be paid therefor.

The department, in Document No. 105, in effect frankly admits that the last word has not been said. On page 15, in referring to the necessity for a new ascertainment, it says:

> It is believed * * * that with the experience gained by this inquiry the next inquiry, if authorized for the basis of a readjustment as recommended herein, could be conducted by the department and responded to by the companies with better results than the last one.

The above quotation applies with equal force to the department's modified plan.

Having now discussed—

(1) The present law, the basic principle of which is weight, and which, with the modifications noted, has received the indorsement of the railroad companies.

(2) The space plan originally recommended by the Post Office Department and as subsequently modified by the granting of certain concessions to meet railroad opposition—

consideration of other plans suggested during the course of the hearings will be taken up in the order below stated:

(1) The four-unit, or Lloyd, plan.
(2) The percentage basis.
(3) The Buckland plan.
(4) The Weeks plan.
(5) The Peabody plan.
(6) The Lewis plan.

## FOUR-UNIT BASIS (LLOYD PLAN).

The plan here proposed, which is a space plan, seems apparently to have been suggested by the following considerations:

(1) The alleged complexities of the present system. (Vol. 4, p. 616; vol. 5, pp. 650–651.)

(2) Continued protests by railroad companies against any proposed space basis particularly because of the friction and irritation that would ensue between the Post Office Department and the railroads as to the amount of space used. (Vol. 1, pp. 301–304; vol. 2, pp. 351–353, 355, 357, 363; vol. 4, pp. 540, 579, 580, 581, 596, 597.)

(3) Railroads continued adherence to weight as the main and determining factor rather than the space plan recommended by the department in Document No. 105 and insisted upon by departmental representatives at the hearings. (Vol. 1, pp. 4, 10, 11, 43–45, 129, 130, 235, 249, 255, 301–313; vol. 2, pp. 355–435; vol. 4, pp. 531–579; vol. 5, pp. 636 and 705.)

(4) Desire of the members of the joint committee themselves (recognizing the apparently irreconcilable differences between representatives of the railroads and of the department) to evolve a plan, demonstrable and easy of explanation, that would be fair and equitable to both interests. (Vol. 4, p. 549.)

The railroads allege that under the present law the department in making its authorizations for space in railway post office cars ignores entirely space necessarily required for operation, or, as Mr. Bradley expresses it (vol. 4, p. 600), "The railroads are obliged to operate a certain amount of space beyond what the department calls for."

The railroads further refer and object to the department, in its administration of the law, being permitted, after an allowance for car space has once been made, to reduce such allowance or authorization, as is now frequently being done, on 30 days' notice, or even less. (Vol. 4, p. 626.) Reference to correspondence relative to railway mail service on Atlantic Coast Line Railroad (Addenda, vol. 5, pp. 823–825) will afford an illustration of this objection.

The railroads admit (vol. 4, p. 597), as they must, because the Supreme Court of the United States has so decided, that under the present law when the department calls for a car of a certain length that the railroads "can not by using a larger railway postal car than

that authorized by the department recover the greater value of the car." (A., T. & S. F. Ry. Co. *v.* U. S., 225 U. S. R., p. 640.)

Reverting to the fact that 10 per cent of the compensation received by the railroads for carrying the mails as represented in the railway post office cars is based on space, the testimony discloses that the railroad representatives, while fully recognizing the alleged irritating administrative features referred to in the three paragraphs next preceding (vol. 2, p. 355), are in accord in having the special rate of pay applicable to railway post office cars continued and extended to apartment cars (vol. 4, p. 665). Further than this, they desire weight to remain as the determining factor for reasons already stated on pages 910, 911–912 of this memorandum.

The situation as outlined in the preceding paragraph prompted a suggestion by Mr. Lloyd (vol. 4, p. 597), namely, to have a standard car of 60 feet in length, which, when authorized by the department and furnished by the railroad, to be paid for whether the entire space was used or not. Then a suggestion by the chairman (p. 598) to have two standards, a 30-foot car and a 60-foot car, followed by a further suggestion to make a special rate for closed-pouch service. These and other suggestions finally developed into a proposal to establish four units, first a 60-foot car, a 30-foot car, a 15-foot car, and a closed-pouch service, the space occupied by the latter to be determined by a weight ascertainment. (Vol. 4, pp. 595, 597–599, and 600; vol. 5, pp. 636–637, 667, 673, 675, 676, 677, 679, 680–682.)

The four-unit basis having been tentatively evolved, the next inquiry was to fix upon and apply a proper rate to the respective units. The claim having frequently been made in the course of the hearings that the mail revenue per unit should more nearly approach, equal, or even exceed (vol. 4, pp. 609–616) that derived from the passenger business, which, according to the Interstate Commerce Commission (vol. 2, p. 363), was for the fiscal year ending June 30, 1911, 25.43 cents per car-mile for the whole country, the Second Assistant Postmaster General was asked to make an ascertainment on a 25-cent basis of the estimated cost to the Government if the plan proposed were adopted.

The result of his computation is given in a letter to the chairman, dated May 23, 1913 (vol. 5, pp. 679 and 680), which reads as follows:

POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
*Washington, May 23, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, Congress of the United States.*

MY DEAR MR. CHAIRMAN: Referring to the proposed plan suggested to the committee by Representative Lloyd for payment of transportation of the mails on railroads, whereby compensation in the railway post-office and storage-car service would be based upon car-mile units for cars of 15 feet, 30 feet, and 60 feet in length, respectively, and in the closed-pouch service upon a unit of miles traveled, and to the informal discussion at the hearings of May 14 of the estimate of the cost of service under such plan, prepared by the Superintendent of the Division of Railway Adjustments, I have the honor to transmit herewith the estimate referred to, with an explanation of the manner of its preparation.

The estimate has necessarily been based upon such data as were found available, and while it is believed to be sufficiently accurate to enable an idea to be gained of the probable expenditure under the suggested plan, it should not be accepted as a conclusive calculation.

The following table recapitulates the calculations made:

*Estimate of cost for railroad transportation under plan proposed by Hon. James T. Lloyd.*

| Character of service. | Rate per car-mile. | Amount. | Rate per car-mile. | Amount. |
|---|---|---|---|---|
| R. P. O.[1] | $0.25 | $31,699,601 | $0.22½ | $28,529,641 |
| Storage[2] | .25 | 5,524,554 | .22½ | 4,972,099 |
| 30-foot apartment | .12½ | [3] 20,882,468 | ..... | [1] 20,882,468 |
| 15-foot apartment | .06¼ | [3] 4,748,399 | ..... | [1] 4,748,399 |
| Closed pouch | ..... | [4] 1,372,821 | ..... | 1,372,821 |
| Total | ..... | 64,227,843 | ..... | 60,505,428 |
| SECOND ESTIMATE.[5] | | | | |
| R. P. O | .25 | 31,699,601 | .22½ | 28,529,641 |
| Storage | .25 | 5,524,554 | .22½ | 4,972,099 |
| 30-foot apartment | .12½ | [6] 19,394,949 | ..... | 19,394,949 |
| 15-foot apartment | .06¼ | [6] 4,410,039 | ..... | 4,410,039 |
| Closed pouch | ..... | [7] 1,372,821 | ..... | 1,372,821 |
| Total | ..... | 62,401,964 | ..... | 58,679,549 |

[1] On basis of car-miles of service for 1912 reported by Railway Mail Service.
[2] On basis of car-foot miles of service reported in H. Doc. 105, storage and deadhead.
[3] On basis of seven times a week mail service.
[4] On basis of car-foot miles reported in H. Doc. 105 at $0.00435 per car-foot mile, average passenger service revenue per car-foot mile reported by railroads.
[5] Same as above, except that apartment car service based on 50 per cent being performed six times a week service, and 50 per cent seven times a week.
[6] Based on estimate that 50 per cent of apartment car service performed on Sundays.
[7] On basis of car-foot miles reported in H. Doc. 105 at $0.00435 per car-foot mile, average passenger service evenue per car-foot mile reported by railroads.

The method of ascertainment of the different items contained in the foregoing table was as follows:

### RAILWAY POST OFFICE CAR SERVICE.

The car mileage of full railway post-office cars for the fiscal year 1912 was reported to have been 126,798,405 car-miles. Multiplying this car mileage by 25 cents and 22½ cents a car-mile, the former rate being the average car-mile revenue for passenger service of the country and the latter rate being that rate less 10 per cent, the result is $31,699,601 and $28,529,641, respectively, as the probable cost of full railway post-office car service.

### APARTMENT RAILWAY POST OFFICE CAR SERVICE.

The suggested plan provides for two standard sizes of apartment postal cars, 15-foot and 30-foot. In the actual operation of the service there are apartments in use ranging in length from 7 feet to 30 feet. Statistics as to the daily route mileage of apartment cars of the various lengths were compiled in the department about a year ago, upon which the estimate of the probable cost for this kind of service was based. The process was to first ascertain from the data the daily route-foot miles of all lines of apartment cars. Inasmuch as but two sizes of cars are proposed to be furnished under the plan, namely, 15-foot and 30-foot, cars of the minimum length and up to 17 feet in length were considered as 15-foot cars, and those 18 feet or more in length were considered as 30-foot cars, and the route-foot miles increased or decreased accordingly. From the daily route-foot miles the annual car mileage was then ascertained by the following formula: The daily route-foot miles multiplied by 2 equals the daily car-foot miles. This product divided by the length of car (15 or 30 feet, as the case may be) and multiplied by 365 (for seven times a week service) or 313 (for six times a week service) equals the annual car-miles. Multiplying the car-miles thus obtained by 12½ cents (for 30-foot cars) and 6¼ cents (for 15-foot cars) produced the estimated cost of apartment postal car service.

STORAGE-CAR SERVICE.

Estimated cost based on the car-foot miles for this class of service (including deadhead cars) reported in House Document 105 as having been operated during the month of November, 1909 (110,491,094 car-foot miles), extended to embrace a year's operation (1,325,893,128 car-foot miles) reduced to car miles on a 60-foot basis (22,098,218 car-miles) at same rates as full railway postal car service; viz, 25 cents and 22½ cents per car-mile, producing $5,524,554 and $4,972,099, respectively.

CLOSED-POUCH SERVICE.

The estimated cost of the closed-pouch service was based upon the car-foot mile statistics for this class of service reported in House Document 105 for the month of November, 1909 (26,299,260 car-foot miles), extended to cover the operation for a year (315,591,120 car-foot miles). The cost was figured at the rate of 4.35 mills per car-foot mile, the rate of revenue per car-foot mile reported by the railway mail pay committee as being received from all passenger service. This produced $1,372,821 as the estimated cost of closed-pouch service.

Yours, very truly,

JOSEPH STEWART,
*Second Assistant Postmaster General.*

It is to be noted that the pay for 30 and 15 foot apartment cars is to be prorated on the 25-cent rate fixed for the larger 60-foot car unit, namely, 12½ cents for 30-foot cars and 6¼ cents for 15-foot cars. Mr. Peters, chairman of the committee on railway mail pay, in the event of the adoption of such a plan urges the application of the wholesale and retail principle; that is, the 30 and 15 foot cars should take a higher proportionate rate than the 60-foot car, as the smaller units can not be handled as economically as the larger. He was therefore of the opinion that the two smaller units should be paid for at the rate of 18 and 10 cents, or 15 and 8 cents, respectively. (Vol. 5, pp. 692 and 693.)

The plan seems to contemplate making authorizations yearly in advance and adherence by the department to such authorizations until the expiration of the statistical period; also to compensating the railroads for additional space furnished during the statistical period. (Vol. 5, p. 673.) After the Government has once ascertained the space necessary and issued its authorizations therefor it will be required to pay for the space so authorized whether it uses same or not. (Vol. 2, p. 352; vol. 5, p. 675.)

The railroads object to the departmental space plan because of the difficulty in arriving at any definite or accurate basis on which to compute costs. (Vol. 4, p. 579.) Since the plan here proposed is based on a revenue rather than a cost basis, that objection, as suggested by Mr. Lorenz (vol. 4, p. 595), does not apply.

The railroads also object to the department's space plan because of the varying rates of pay that would ensue on different railroads. (Vol. 4, p. 579.) It is difficult to understand how there would be any more variety of rates under that, or the proposed plan, than under the present system. There are now (Second Assistant Postmaster General's report for 1912) 3,409 railroad routes, the compensation for carrying the mails varying with the weight carried over each route. The route is the unit in the determination of what the total compensation is to be for an entire system. There are 795 railroads with which the Government has contracts for carrying the mails. (Preliminary report, p. 6.) Under the proposed plan the number of

linear feet of space would determine the compensation to be paid. The compensation paid to the railroads would, therefore, only vary as the space furnished by each varied.

The claim is made by the railroads that this or any other space plan places in the hands of the Postmaster General the power of adjusting pay for the railroads. (Vol. 4, p. 579.) In the matter of mail transportation the Government may properly be regarded as an employer. The employer must necessarily have the right to determine how many units of service he will require in his business and to control the process by which such determination is reached. It is therefore but proper that the Postmaster General, head of that department of the Government which has been intrusted with the supervision of mail transportation, should determine and authorize the service needed and pay for it at a rate fixed by law. As suggested by the chairman (vol. 5, p. 675), the initiation must necessarily take place with the departmental representative, and again, on page 674, "The department must determine what the ordinary business shall be, and the transportation companies comply—so far as their ability will permit them—with the requirements made by the postal authorities, and the Government pays for the service rendered according to a plan fixed in the law itself."

The claim is made, as already indicated, that if a space plan were adopted there would be constant friction between the Post Office Department and the railroads as to the amount of space used. It would appear that this plan disposes of that objection in that it contemplates three standard units fixed by law. It contemplates yearly authorizations in advance and departmental adherence to them until the expiration of the statistical period. The units are fixed by law. The department has no discretion in the matter. Cars of a length up to 17 feet are to be considered as 15-foot cars, and cars of 18 feet and more in length as 30-foot cars, the department to pay for 15 and 30 feet of space, as the case may be, whether it uses all of it or not.

Mr. Peters, chairman of the committee on railway mail pay (vol. 5, p. 636), in stating his objections to the plan here proposed, refers to the possibility of the department exercising "all the economy it can to concentrate its load and keep down space." (Contra—Mr. Bradley, vol. 5, p. 626.) This presents rather an anomalous argument. As already indicated (pp. 906, 907, 911, 915, and 916 of this memorandum), the railroads justify a special rate of pay for railway post office cars because of their limited loading capacity. When a space basis is suggested they strenuously argue in protest of its adoption that it would mean concentration of load and resultant decrease in their revenue. If the space plan here proposed were adopted, storage cars as at present would be utilized, but not to an extent to interfere with and delay distribution. The railway post-office cars must continue to be so loaded as not to interfere with mail distribution en route. Storage cars would be no more heavily loaded than at present, as maximum loading would in many instances mean failure to work the mail that should properly have been so handled en route and delay its distribution at destination. Such a practice would simply mean a return to distributing post offices a method early condemned and abandoned because of its costliness and impracticability. (S. Ex. Doc. 40, 48th Cong., 2d session, pp. 76 to 80.) From the very begin-

ning there has been a continued and insistent demand on the part of the public for rapid dispatch and delivery of mail, and that demand is no less insistent at the present time. It is therefore highly improbable that the department would attempt economies in a direction which could have no other effect than arousing public indignation to such an extent as to compel the department in its administration of the law to regard efficient and expeditious service rather than economy of first consideration.

The railroads in objecting to this and other space plans refer to the opportunities afforded the Postmaster General for favoritism. Such opportunities could be no more frequent under the proposed plan than under the present system. Under the present system there are competition of routes and the department has exercised the right where there are two competing railroads operating between the same points, in making its contract with the route having the larger mileage, to make it dependent upon that railroad accepting the same compensation as the railroad having the shorter mileage. The longer mileage railroad has the right to decline to enter into such a contract if the department's terms are not satisfactory to it. If it accepts the terms, it is difficult to perceive how the department can properly be criticized for entering into such an arrangement which can only be regarded as one of business acumen. It affords the Government two agencies of transportation for its mail. It is efficient as well as economical administration. Under the proposed plan why should the department be criticized if it diverts surplus mail to a competing route which has not reached its maximum authorization? Certainly the department could not be criticized for declining to authorize additional service at increased cost when it has available another agency which has been specifically contracted for and which can be utilized without additional expense.

It has been suggested informally that if such a plan were adopted it would subject some railroads to the criticism of bringing improper influence to bear upon the Postmaster General to unduly increase space in some instances and to reduce it in others, and the Postmaster General to the charge of succumbing to such influence, resulting in the condemnation of both by the public generally as well as by the railroads discriminated against.

In answer to this objection, the following quotation is made from Mr. Loud's report:

> It may be urged, and it is the testimony of some, that under the space basis the tendency would be to unduly increase the space, hence increase the rate of pay beyond what would be fair and just. To admit this would, to my mind, be a conclusion that our executive officials are incompetent or corrupt, and almost a conclusion that our form of Government is a failure. Experience has taught me that our officials are honest, careful, and painstaking and competent. I believe that a larger degree of personal responsibility placed upon the officials would result in a more efficient and economical administration, especially of this branch of our governmental affairs, which is a business branch wholly. And, if this basis be adopted, Congress then, as now, would hold the purse strings and could appropriate for only so much space as it saw fit, after a careful investigation of the recommendations of the department and in their opinion the demands of the service required. (S. Doc. 89, 56th Cong., 2d sess., pt. 1, p. 23.)

The plan on the whole, in so far as it provides a rate of compensation equal to that earned from the passenger business, would probably be acceptable to the railroads as more nearly compensating them for the services rendered.

PERCENTAGE BASIS.

The statement having been made by Mr. V. J. Bradley that the amount paid by the Government of Great Britain to the railroads for transporting the mails, including parcel-post payments, equaled 21½ per cent of the total postal expenditures (vol. 2, p. 440); the chairman, in order to bring out the relativeness of that percentage, if applied to conditions in this country, made a calculation of his own, based on the expenditures of the Post Office Department for the fiscal year ending June 30, 1912. From one computation the chairman secured a percentage of 19.47 and from another (taking into consideration expenditures made in 1912 and including those coming over from a previous year) of 20.7. (Vol. 4, p. 550; vol. 5, p. 655.)

The matter was presented by the chairman in order to determine whether the figures indicated could be used for comparative purposes to the advantage of the joint committee. On page 551, he says:

> Why is it not safe to take 21½ per cent as the revenue to the railroads in England to the total expenses to the postal service and take 21½ per cent as a figure, for instance, as to what the railroads should receive in this country of the total expense of operation of the postal service?

Mr. Bradley, on the same page, stated:

> I think it would be a very good comparison if we could get the English data as to average haul and the progress that is being made in replacing the railroad mail service by motor van service. I do not know of any source from which that information could be obtained, but I think the general statement could be made and accepted that in the United States the haul is several times as great as in Great Britain, the tonnage is greater, and the necessity of the railway service is greater to the Post Office Department. (Vol. 4, p. 551.)

Mr. Lorenz expressed the opinion that the difference in the length of the haul was a vital factor to be considered (vol. 4, p. 551), and to a question of the chairman "that the mere statement of percentages of receipts and cost of operation can not be used without further information," replied "not conclusively."

The question finally developed into using the postal receipts rather than expenditures on which to base the percentages.

In this connection the following is quoted from Mr. Bradley's testimony:

> Congress in appropriating money for railway mail pay is perhaps not appropriating public funds for public services in the usual sense, but is rather distributing the revenues derived from the postal service to those who perform that service in proportion to the value of such service. If we follow the line of thought to estimate the proportion of the postal revenues or of the postal expenditures (which are about even) that should be devoted to railway mail pay, and if we glance back a few years to the time when the last investigation was made by the Wolcott-Loud Commission, we find that the item of railway mail pay at that time was about 35 per cent of the total expenditures. At the present time it is, roughly speaking, about 20 per cent of the postal expenditures. (Vol. 5, p. 652.)

Hon. Joseph Stewart, Second Assistant Postmaster General, takes exception to Mr. Bradley's statement, as follows:

> There is one element which has produced this difference in ratio which Mr. Bradley has not mentioned, and that is the large increase in revenue from postal rates, and it has not been mentioned yet that the increase in revenue may be greatly disproportionate to the service performed in carrying the mails; so that when Mr. Bradley says that at a certain period the railroads were receiving such a per cent of the revenue and that now they are receiving a much lower per cent of the revenue, and he names two causes which have contributed

to that (and I named the other cause—the great increase in the revenues themselves), you see it does not follow from the premises that the railroads should have an increase in the percentage of the revenue; that does not necessarily follow. (Vol. 5, p. 655.)

As an indication that the adoption of the percentage basis would be impracticable of application to conditions in this country, the following is quoted from Gen. Stewart's testimony:

In the first place, it seems to me that any theory which predicates a payment upon revenue derived from the business must necessarily be fallacious. The revenue we derive is based entirely on the rate of postage on the several classes of mail matter and upon the amount of business done. The amount of business done will have somewhat of a relationship to the service performed and rendered by the railroad companies or the department, but the rates of revenue on the matter carried have no necessary relation at all to the service performed. The rates on second-class matter have been shown to be very low. While we are making, according to the statement of 1911, say, $42,000,000 a year over expenses for carrying first-class mail, that is no argument that we should hand over 25 per cent of that to the railroad companies if they are getting fair compensation for the service they render. I should say, too, that if we are getting only one-sixth or one-seventh of the amount in revenue of the expenses in carrying and handling the second-class mail matter, that it would not be fair to the railroad companies to cut their pay down on carrying second-class matter six-sevenths. (Vol. 5, p. 656.)

The view expressed by Gen. Stewart that the revenues received by the Post Office Department have no necessary relationship to the compensation that the railroads should receive for their services incident to mail transportation appears to be concurred in by Mr. Lorenz when he says (vol. 5, p. 829):

The variation in postal receipts does not necessarily reflect the variation in the amount of service rendered by the roads.

In the application of a percentage basis there are several difficulties to overcome. In the first place, a determination would have to be made as to the method of arriving at a general percentage for the railroads of the country. The next difficulty to overcome would be to determine upon the percentage of the general percentage that individual railroads should receive. The difficulties suggested are emphasized in the following quotation from a statement made by Mr. Lorenz:

The suggestion has been made that a very simple solution of the problem would be to turn over to the railways as a body a fixed percentage of the postal receipts, or some portion of them. Can this be justified from the cost standpoint? Obviously cost would have to be drawn into consideration in arriving at a judgment as to what is a fair percentage.

The railways would have to organize a corporation to receive the money and to collect statistics on the basis of which the payments would be made to each company. From the broad social standpoint there would perhaps be as much expenditure of effort in getting the payments in proper amount to each company as if the Post Office Department made the payments directly.

From the foregoing it would appear that the percentage basis would not be a proper one for the Government to adopt on which to compensate the railroads for their mail-transportation service.

### BUCKLAND PLAN.

The plan here proposed is a modification of the recommendations made by the Post Office Department in Document No. 105.

Mr. E. G. Buckland, vice president of the New York, New Haven & Hartford Railroad Co., author of the plan, in response to a request of the chairman as to whether there was "merit in the suggested

plan submitted by the department of compensation being based upon the cost of the operation, with a reasonable profit," replied in the affirmative. (Vol 1, p. 275.) In this connection he stated: "The ascertainment of railway-mail operating costs would reduce itself to such routine (referring to a submission of the matter to the Interstate Commerce Commission) as to be easily ascertainable," and that "the principle of additions to profits beyond operating cost and fair charges against the capital expenditures could be easily developed." (Vol 1, p. 275.)

He objects to the phraseology of paragraphs 1 and 3, of the modified tentative drafts of the Post Office Department's proposed bill (preliminary rept., p. 109), reading, respectively, as follows:

> The Postmaster General is authorized and directed to require companies operating railroads by steam, etc., carrying the mails to furnish, under oath and seal, not less frequently than once in each fiscal year, such information relating to the service, operation, receipts, and expenditures, and such other information of such roads for a period of not less than 30 days, to be designated by him as may in his judgment be deemed necessary to enable him to ascertain the cost to the companies of carrying the mails on their respective roads and the proper compensation to be paid for that service.
>
> The Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper. For this purpose he shall transmit the information furnished by the railroad companies relating to the operating expenditures to the Interstate Commerce Commission, who shall credit, assign, and apportion such operating expenditures to the passenger and freight service, and report the result as to the passenger service to the Postmaster General.

The words objected to by Mr. Buckland in the preceding paragraphs are "in his judgment" and "as he should deem proper." The thought intended to be conveyed by Mr. Buckland is that the retention of the words objected to would give the Postmaster General the power of withholding information from the Interstate Commerce Commission that the railroads deemed necessary to be submitted in order that an understanding might be had and a proper determination reached of the issues arising between them and the Post Office Department.

While admitting that the Postmaster General should have the fullest information, he states that "he should not be authorized, even by inference, to include or exclude finally such information or such data as would be material in determining the cost of carrying the mail" (vol. 1, p. 261), otherwise "he might not require such information as the railroads may desire to give him or he might exclude such information as being immaterial that the railroads might wish to give him." (Vol. 1, p. 261.)

To sum up his views, the following quotation is made from his testimony:

> If, whether or not he determines the cost, all of the data that he asks the railroad companies to furnish and all of the data in addition thereto that they desire to furnish can be submitted to the Interstate Commerce Commission, and they in the last analysis may have the determining of this cost, I have no particular objections to his determining it for his own purpose in the first instance. (Vol. 1, p. 262.)

As a further objection to the department's plan, Mr. Buckland states:

> It leaves in the power of the Postmaster General the right to prescribe additional services after we have made our contract. I do not think that is fair. (Vol. 1, p. 275.)

The bill proposed by Mr. Buckland reads as follows:

*Be it enacted by the Senate and House of Representatives of the United States in Congress assembled:*

SECTION 1. That every railroad company operating as a common carrier shall convey by any train all such mail as may be tendered for conveyance by such train, and where necessary shall provide sufficient and suitable room, fixtures, and furniture in a car or apartment properly lighted and heated for route agents to accompany and distribute the mails. Every such railroad company shall afford all reasonable facilities for the receipt and delivery of mails at any of its stations.

SEC. 2. That the Postmaster General is authorized to make and enforce all proper rules and regulations to govern the receipt, transportation, and delivery of the mails, which rules, regulations, and penalties for the violations thereof shall be filed with the Interstate Commerce Commission prior to any hearing in regard to remuneration and be considered in determining the cost of service for which remuneration is hereinafter provided.

SEC. 3. That every such railroad company shall be entitled to reasonable remuneration for any services performed by it in receiving, transporting, and delivering the mails. Such remuneration shall be paid by the Postmaster General and shall equal the cost to such company for the performance of such services plus six per centum of such cost; in addition such company shall be entitled to such additional amounts as shall constitute a proper proportion of a fair and reasonable return on the value of the property necessarily employed in the performance of such services. Any difference between the Postmaster General and any railroad company as to the amount of such remuneration shall be determined by the Interstate Commerce Commission after due notice and full hearing to all parties in interest. The Postmaster General or any such railroad company may not oftener than once in two years apply to the Interstate Commerce Commission for a readjustment of the remuneration previously fixed, and thereupon the Interstate Commerce Commission shall proceed as before to hear and determine the amount of such remuneration.

SEC. 4. Any such railroad company which shall refuse to perform such services in the receipt, transportation, and delivery of the mails for the remuneration fixed as hereinbefore provided shall be guilty of a violation of law, and for every such offense shall be fined not exceeding five thousand dollars.

SEC. 5. This act shall become effective as to any railroad company at the expiration of any period during which such company shall have contracted to carry the mails.

SEC. 6. All laws or parts of laws inconsistent herewith are hereby repealed.

The bill in brief continues the present requirements with reference to frequency of service and the furnishing of all reasonable facilities.

It authorizes the Postmaster General to enforce all proper rules and regulations to govern the receipt, transportation, and delivery of the mails.

The remuneration to be paid to the railroads by the Postmaster General is based upon the cost of performing the service in connection with receiving, transporting, and delivering the mails plus 6 per cent of such cost, and in addition a fair and reasonable return on the value of the property necessarily employed in the performance of such services.

It apparently gives the power of ascertaining the cost of carrying the mails in the first instance to the Postmaster General and the railroads. If they can not agree then the matter, after all rules, regulations, and penalties for the violations thereof have been filed with the Interstate Commerce Commission, to be submitted to the Interstate Commerce Commission for determination after the due notice and full hearing to all parties in interest.

In support of this construction the following is quoted from the testimony (vol. 1, p. 272):

Mr. LLOYD. But all the power you vest in the Postmaster General to fix the rates and fix the rules to determine what shall be paid.

Mr. BUCKLAND. I think there is no power in him to fix the rate. He has the power to fix the rules and he ought to have that power, and he should have the fullest power.

Mr. LLOYD. Who fixes the rates?

Mr. BUCKLAND. The Interstate Commerce Commission, if you can not agree.

Mr. LLOYD. Before you go to the court, who fixes it?

Mr. BUCKLAND. It must be by agreement between the two.

The bill prescribes that the "Postmaster General or any such railroad company may not oftener than once in every two years apply to the Interstate Commerce Commission for a readjustment of the remuneration previously fixed."

The bill makes it obligatory upon every railroad to comply with all proper rules and regulations with reference to the receipt, transportation, and delivery of the mails and at the remuneration fixed as above indicated, a penalty to be prescribed for failure so to do.

The bill provides for giving the railroads remuneration for any service performed by it (whether it be in receiving, transporting, or delivering of the mail). The cost of side service to the railroads would be one of several factors in determining the total compensation the railroads should receive. The bill leaving to the railroads and the Post Office Department, in the first instance, the matter of deciding as to what unit (whether it be weight, space, or some other) shall be employed in the cost ascertainment, the weighing of the mails may or may not be necessary.[1]

The courts have held that the railroads are not "common carriers" of the mail (117 Fed. Rep., p. 434). The Supreme Court of the United States, in the case of the Atchison, Topeka & Santa Fe Railway Co. *v.* The United States (225 U. S., p. 649), refers to the plaintiff railroad company as an agency of the Government and not a "common carrier," with corresponding rights and liabilities. This bill proposes to make them such and as such to require them to carry the mails in order that they may have "an equal standing under the law to determine whether they were being required to carry at a rate which was confiscatory." (Vol. 1, p. 299.)

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[1] That the construction of Mr. Buckland's bill, stated in the text, is correct, the following is quoted from a letter addressed by him to the secretary of the joint committee, dated Nov. 6, 1913:

"My bill was a combination of the existing English statute and that proposed by the Postmaster General in House Document No. 105. Your understanding is correct that the cost determination was to be arrived at, in the first instance, by the Postmaster General and each railroad company, but if no agreement can be reached, then the matter is to be submitted to and determined by the Interstate Commerce Commission. It was my thought that the Postmaster General should say to a railroad company what service he expected that company to perform; that the railroad company should tell the Postmaster General what it believed the service was worth and to open its books to the Postmaster General in order to indicate to him in what way this cost was determined and to give him any other information in its possession which would enable him to form an opinion as to whether the railroad was or was not correct in its contention. This principle being once established, the question as to when, if at all, annual weighings would be necessary or what side service should be performed would be entirely a matter of agreement between the Postmaster General and the railroad company; for instance, the Postmaster General might say to a railroad company, 'The department agrees with you that the service which you are called upon to perform is worth $500,000 for the next fiscal year. The data for a number of years indicates that your mail has increased substantially 5 per cent each year; therefore the department will make a contract with you to carry the mail for, say, $500,000 for the first year and an increase of 5 per cent for each ensuing year until such time as, upon reasonable notice, either party desires a revision of the contract.'

"I beg to say that I have just had an extended conference with Mr. W. M. Acworth, the distinguished English statist, who tells me that under the English act an issue between the railroads and the post office department seldom, if ever, arises; that each railroad confers with the post office department, submits its data, and in a large majority of cases an agreement is arrived at without the necessity of arbitrating it before the Railway and Canal Commission."

In a subsequent letter, dated Nov. 10, 1913, Mr. Buckland further said:

"The point which I wished to impress most on the committee is that no unit system can properly apply alike to all of the railroads; whether it be space or weight, it is

As to the right of the Government to require the railroads to carry the mails there can be no question, subject to the constitutional provision that private property shall not be taken for public use without just compensation. In the exercise of its constitutional right to establish post offices and post roads Congress, under a statute passed in 1838, declared railroad lines to be post roads.

It is unnecessary to cite authorities holding that the Constitution must be so construed as to give effect to the express powers delegated to Congress by that instrument. In order, therefore, that the power conferred upon it to establish post roads may be effectively exercised, it must necessarily have the right to call upon the railroads of the country to carry the mails over their lines even though such lines may be wholly intrastate.

In the case of the Bankers' Mutual Casualty Co. *v.* Minneapolis, St. Paul & Sault Ste. Marie Railway Co. (117 Fed. Rep., p. 434) it is said:

> The power to establish post offices and post roads * * * was granted by the people as one of the Government powers, to be exercised by the General Government exclusively. By virtue of this grant of power the United States has always, through its Post Office Department, assumed the exclusive charge of the carriage and delivery of the mail for the benefit of the people. In doing so, the United States is beyond question engaged in the discharge of a governmental function.

The Supreme Court, in the case of the Atchison, Topeka & Santa Fe Railway Co. *v.* The United States (225 U. S., p. 65), has said:

> The railroad, however, was not bound to furnish "half lines" nor to accept the terms named by the Postmaster General, for Congress had not legislated so as to require compulsory service at adequate compensation to be judicially determined on in a method provided by statute. And as the plaintiff's road between Chicago and Kansas City had not been aided by a land grant, it was, under existing law, not obliged to carry the mails when tendered nor to supply railway post-office cars when demanded.

While the language with reference to compulsory service can only be regarded as obiter dicta, that consideration not being necessary to a determination of the case, it strongly indicates what the decision of the Supreme Court would be upon a case presented to it involving

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likely to overpay some and underpay others. Senator Weeks suggested that a basis might be used by which to modify the unit system. I assume, for instance, that if X should represent the unit of space or weight A might represent density of traffic, B frequency of service, and C speed. Then, according to his suggestion, ABCX would determine the price. It may be that some such formula can be worked out, but we have not yet been able to approximate it. It seems so much more common sense for the Post Office Department to discard all units and the railroads likewise; for the Post Office Department to say what services it wishes to have performed, and for the railroad company to state upon what terms it will perform it, at the same time giving the Post Office Department full information upon which it bases its charge. If the two parties can not agree let the Interstate Commerce Commission decide. This, as I said, is the English method, where an issue between the post office department and the railroads does not exist, although it seems to be eternally springing up here in this country.

"To show you how impossible it would be to fix any unit for the cost of side service, compare square or cubic foot space in the Grand Central Terminal at New York with similar space in the way station at New London or some other small place. Two dollars per square foot per year would be reasonable in the former, whereas 25 cents per square foot might be exorbitant in the latter. How much more sensible it would be for this company to ask the Post Office Department how much space it desires and to say that so much will be charged per square foot in New York, so much in New London, etc., allowing the department to investigate to see whether the charges are reasonable. The longer I think over this subject the less I can understand why the common ordinary business methods which obtain between man and man should not obtain between the Government and the railroads in regard to mail pay. The only objection is that suggested by Senator Weeks and Mr. Lloyd before the committee, on page 272, to wit, that the Postmaster General and the railroads might be working in cooperation. I can hardly think that that suggestion is well founded, and yet it would be easy to check against such an event by giving the Interstate Commerce Commission power upon its own initiative to investigate and change a rate, just as it now has such power to investigate and change rates upon other commodities."

the constitutionality of an act of Congress compelling the railroads of the country to carry the United States mails when offered.

It has therefore been judicially determined under existing law that the railroads are not obliged to carry the mails when tendered, nor to supply railway post-office cars when demanded. (129 U. S., pp. 391–396; 142 U. S., p. 615; 225 U. S., p. 650.)

It has been judicially determined that the railroads are not common carriers of mail. (117 Fed Rep., p. 434.)

Inferentially it has been declared that the railroads can be required to perform compulsory service. (225 U. S., p. 650.)

Mr. Buckland strongly advocates the passage of a law specifically requiring the railroads to perform mail service. (Vol. 1, p. 299.) He is of the opinion that in the matter of railway mail pay the question of space and weight is immaterial. (Vol. 1, p. 270.)

The following quotation from his testimony will perhaps best disclose his opposition to a space or weight system and his reasons for advocating the bill proposed by him:

> There is a contention on the part of the public that the railroads are overpaid, and there is a contention on the part of the railroads that they are underpaid. Certainly nobody can object if a neutral tribunal should determine to what expense the railroads are put in the performance of this service and give them a stated profit over that. It seems to me if you agree to(day upon a bill which shall amply compensate every railroad in the country in accordance with this contention, by making a specific ton-mile or a specific cubic foot rate of compensation, that two years will not roll around before this matter will be up in Congress again on the proposition that that ought to be reduced. You will never get this out of continued legislation until the question of remuneration is made flexible and to be determined by some neutral tribunal. (Vol. 1, p. 270.)

## DIRECTOR OF POSTS.

### WEEKS PLAN.

This plan, only incidentally developed in the hearings, was suggested by Senator Weeks. (Vol. 2, pp. 395 to 399, inclusive.) It is related to the Buckland plan, in that, without any declaration of Congress as to what the compensation should be, it proposes to leave the determination of the compensation to be paid the railroads for the transportation of the mails to an agreement entered into between the railroads and a post-office official whose appointment has been authorized by Congress, to be known as a "director of post." If an agreement can not be reached between them as to a proper rate to be paid then the matter to be submitted to the Interstate Commerce Commission for adjustment.

Senator Weeks expresses himself with reference to his suggested bill as follows:

> I have gone into this enough to see how difficult it is to arrive at any fair basis, and in turning the whole question over in my mind I have not been able to work out, to my own satisfaction, why that is not the businesslike way to adjust it. I do not mean to say that is final even with me, but it seems to me that that is the way of adjusting this service which ought to be satisfactory to the Government and to the transportation companies.

In the last analysis the effect of Senator Weeks's plan apparently seems to be to leave rate initiation to the respective railroads, and the rates thus fixed to be reviewed by the director of post. If he accepts the rates proposed then same become immediately effective.

If he declines and the railroads will not agree to such amendatory rates as he may propose then the matter to be submitted to the Interstate Commerce Commission for final adjustment.

The Buckland plan prescribes a basis on which the compensation is fixed, namely, a cost determination, but fails to prescribe a unit of measure by which such cost determination is reached. The Weeks plan prescribes neither basis nor unit.

### THE PEABODY PLAN.

The suggestion for this plan is to be found on page 684, volume 5, of the Hearings of May 14, 1913, presented by Mr James Peabody, statistician of the Atchison, Topeka & Santa Fe Railway Co., and elaborated upon by him in communications written subsequently to the hearings, dated, respectively, May 22 and June 3, 1913, and appearing in the printed volume, pages 685 to 687, inclusive.

Reference to the pages indicated will disclose alternative plans, which in effect and briefly stated are as follows:

1. To put mail transportation on a commercial basis and permit the railroads to initiate the rate, which, if satisfactory to the Post Office Department, to become immediately effective; otherwise submitted to the Interstate Commerce Commission for determination, Congress, however, first defining with exactness the unit of service.

2. To permit the railroads to initiate the rate, giving the Interstate Commerce Commission sufficient time before same becomes effective to inquire into its reasonableness, and if found by it to be unreasonable to prescribe a reasonable rate for the future, say, "for at least a period of two years and thereafter until changed."

The first suggestion harmonizes with the Buckland and Weeks plan, already referred to, in that the rate to be fixed in the first instance is one for agreement between a representative of the Post Office Department and representatives of the railroads. He fails, however, to develop the unit of service to be defined by Congress.

The second suggestion proposes to take the matter out of the hands of both Congress and the Post Office Department. The Post Office Department, however, being the shipper, would be entitled to appear before the commission to protest against the inauguration of a rate which is regarded unreasonable.

In order not to misrepresent Mr. Peabody's position as to his first suggestion, the following quotations are made from his own statement:

> If that rate (referring to rate initiation by railroads) is deemed by the shipper, which in this case is the Post Office Department, to be reasonable they can accept it and make up their budget and recommend to Congress an appropriation on that basis. If they do not deem it reasonable they can refer it, the same as any other shipper, to the proper tribunal for determining what the rate shall be. That gives the railroad the opportunity of appearing before the tribunal to sustain their rate, if they are able to sustain it and the commission will authorize it; if not, the commission will determine what a reasonable rate will be, and that rate, as determined by the commission, will be used in their recommendations for a budget to be presented to Congress. (Vol. 5, p. 684.)
>
> Congress may well and should define with exactness the unit of service, such as the whole car, one-half car, and one-quarter car for the general service and the car-mile for the closed-pouch service, in case the space basis is adopted, leaving to the Post Office Department to determine the frequency of the service, thereby permitting a discretionary adjustment as between economy and effi-

ciency, but, as it seems to me, it would welcome any plan which would relieve it of the annual discussion over the rate of pay to the carriers of the mail. * * * The floor of Congress is neither the logical nor possible place for the equitable settlement of such a question. (Vol. 5, p. 686.)

As to his second suggestion the following is quoted from the testimony:

There is nothing inherent in the transportation of the mails that from a transportation standpoint distinguishes it from any other commodity. The Post Office Department is a shipper, having a commodity which it desires to have transported between various points. It can predetermine with reasonable certainty the amount it will have to transport, and may make a tender of its business upon the space or weight basis, as may be preferred. The carriers can then name their rate, filing same with the Interstate Commerce Commission. If such rate is satisfactory to the Post Office Department, no further action is needed except to make up a budget for the report to Congress as to the amount of the appropriation needed for the transportation of the mails. (Vol. 5, p. 685.)

With reference to the determination of a reasonable rate, Mr. Peabody says:

The determination of a reasonable rate is purely a judicial function, and, recognizing that fact, the Congress of the United States has wisely designated a tribunal for this very purpose, authorized to pass upon this very question, and it would seem to be wise, therefore, both on the part of the railroads and the United States authorities, to submit the question to this tribunal that no injustice to either party may be done. (Vol. 5, p. 685.)

The chairman in a letter dated May 26, 1913, to Mr. Peabody, referring to the failure of the railroads to demonstrate what is a reasonable rate to be paid for the transportation of mail, says:

If you and other specialists in rate making are unable to demonstrate a reasonable rate, then, necessarily, an arbitrary rate must be adopted, in which event, it seems to me, it is much better that the representatives of the people, the Post Office Department, and the railroads, namely, Members of Congress, shall declare what the arbitrary rate shall be than delegate that power to either the postal department or the railroads themselves. (Vol. 5, p. 686.)

To this Mr. Peabody replies:

There is no such thing as a reasonable rate per se, nor is such a rate susceptible of mathematical demonstraion. I is wholly a judicial question, to be determined by legal authority, after full hearing. The question of railway-mail pay is too important for the people and too vital for the railroads to be left to the arbitrary action of anybody. All other rate questions, many of them even more important for the people as well as vital to the railways, have been removed from the zone of arbitrary action and brought under proper control. (Vol. 5, p. 687.)

Mr. Peabody's plan on the whole contemplates in the first instance the initiation of mail transportation rates by the railroads themselves subject to review by the Interstate Commerce Commission upon complaint made by the shipper, the Post Office Department. He qualifies his position in this respect by stating that—

It might, perhaps, be better for Congress to specifically direct the commission to take such action without the preliminary naming of a rate by the railroads.

Because of the varying transportation conditions throughout the country and further because of his view already expressed that the fixing of a rate is a matter for judicial determination, he believes that such consideration necessitates the submission to and inquiry by the Interstate Commerce Commission of rates proposed to be charged for carrying the mails.

LEWIS PLAN.

The proponent of this plan is Congressman Lewis, of Maryland. He has presented it on several occasions, as will be noted by reference to volume 5, pages 695 to 699, inclusive, of the hearings on railway mail pay; to a pamphlet entitled "Brief for a general parcel post" (pp. 25–30), addressed to Hon. Joseph L. Bristow, chairman joint committee on general parcel post, and to Hon. Albert S. Burleson, Postmaster General of the United States, and to an address delivered by him in the House of Representatives on September 3, 1913, on the "Parcel post and the Postmaster General" and printed in the Congressional Record of September 6, 1913, pages 4820 and 4821.

This plan contemplates two rates, one for what he denominates "parcel railway pay" and the other "letter railroad pay," the fund from the former to be derived from a ton-mile basis and the latter from an absolute ton-mile basis. (Vol. 5, p. 699.)

For the parcel railway mail pay he propose a ton-mile rate of 5 cents, excluding weight of equipment, which is approximately 77 points less than the railroads will receive from the express companies per ton-mile by reason of the recent reduction in express rates ordered by the Interstate Commerce Commission.

In order that the smaller railroads may be fully compensated he proposes to adopt two standards, namely, the ton-mile and car-mile unit—"the ton-mile unit to make certain the amount the Government shall pay the railroads for parcels so it can intelligently load its rates for parcel service to the public, and the car-foot mile unit to secure a just relative distribution of the fund thus derived among the railroads, according to the amount of car-foot mileage service rendered by each."

The details of his proposal are thus stated:

1. The postal department would make notations of the weight and zone findings for each parcel, which occur in determining the rates to be charged the shipper. The gross weights of such parcels in each zone, when multiplied by the average mile journey of the respective zones, would by a simple computation give the total ton-mileage of parcel matter receiving railroad transportation. Let this ton-mileage be multiplied by the rate to be paid per ton-mile, say 5 cents, and the gross sum due the railroads as a whole is obtained.

2. The gross sum thus payable the railroads would then be divided by the total number of car-foot miles of car movement performed ("the postal-car mileage" being "a matter of easy ascertainment and record for any railroad, while the weight distance parcels statistics can be almost automatically recorded during the act of weighing by pencil notations, as now, upon blanks having distinct columns for the several zones"), which would give the common car-foot rate payable, when each railroad company would be paid this rate for the car-foot mileage service performed by it under orders from the postal department. (Vol. 5, p. 697.)

He justifies a different rate for letter-railroad pay as distinguished from parcel-railway pay, because in his opinion no single rate would be just to both kinds of traffic. As letter mail demands much greater car space and greater speed than an equivalent weight of parcel matter he proposes a rate for it of $43.65 per ton, "or on the experience of the average mail journey in 1908, 8 (8.12) cents a ton-mile."

The details of how to ascertain the weight and to distribute the gross amount to be paid the railroads are thus stated:

All ordinary or first, second, and third class railway-going mail, during the weighing period, would be pouched in bags by itself and weighed at the post

office before going to the railroads. These weights totaled into tons for the entire country would give the gross amount of railway service rendered the ordinary mail, and multiplied by the ton-rate, say $43.65 per ton, as now, would give the total fund payable to the railroads for this branch of the service. This fund should be then distributed among the railroads according to the car-foot mile basis employed for the payment of parcel transportation. (Vol. 5, p. 698.)

The plan therefore contemplates a rate each, as already stated, for parcel and letter pay, namely, "a rate of 5 cents a ton-mile for postal express matter, excluding the weight of equipment, and of 8 cents a ton-mile for the other mails, equipment weight included," the amount of compensation to be paid each railroad to be measured in the last analysis on a basis of car-foot miles.

The plan proposes, as already indicated, to ascertain the weight of parcel matter as is now being determined by the Post Office Department in the administration of the parcel-post law, leaving the postal-car mileage to be made up from records furnished by the railroads.

The weight of letter mail is to be ascertained, during a weighing period to be designated, by the postmasters of the country generally.

The burden of delivering the parcel-post matter from the depot to the post office is shifted from the railway to the local postmaster.

The plan finally provides that "either the Postmaster General or the railroads shall have access to the Interstate Commission to make any changes necessary to move the potential traffic or to meet future contingencies in railroad operating costs."

For the Government it would save the special expense of the weighings and provide it with simple standards for determining its obligations to the railroads. For the shipping public, through reduced postal express rates, it would provide a means by which the potential traffic in life's necessaries could be moved direct from producer to consumer, or otherwise, and lower our aggravated price levels. And for the railroads it offers the great advantages of distributing postal transportation compensation equitably between them, of paying them for the actual weights carried rather than the outdated weighings, while assuredly doubling and probably quadrupling the volume of their highest price traffic. (Vol. 5, p. 698.)

With reference to Congressman Lewis's recommendation that the postmasters throughout the country be designated to weigh the mails, it has been suggested that such designation would not be desirable based on the difficulty experienced by the Department in securing information from them in connection with the special weighing of the mails in 1907. In many instances information transmitted in response to the department's specific request was only partially or inaccurately given, and in other instances no responses were made at all to the original request and no attention paid to voluminous correspondence that followed to secure the information called for and desired by the department.

Mr. Lewis's plan, while proposing that Congress shall prescribe in the law the standards or units to be used and the rates to be paid, the ultimate effect would be, since "either the Postmaster General or the railroads shall have access to the Interstate Commerce Commission to make any changes necessary to move the potential traffic or to meet future contingencies in railroad operating cost," to take the whole matter out of the hands of Congress and transfer it to the Interstate Commerce Commission. The Post Office Department would as now administer the law, and any desired changes it could inaugurate, after

first securing the consent of the Interstate Commerce Commission and without any reference to Congress.

From the foregoing it would appear, on the whole, that Congress might just as well, if Mr. Lewis's proposal meets with its approval, not define or name any standards or rates, as the Interstate Commerce Commission could, at the request of the Post Office Department, change or nullify them at will and adopt standards or rates of its own.

The view entertained by Mr. Lewis that a distinction must necessarily be made in the handling of parcel and letter mail matter is concurred in by Mr. Logan, vice president, Grand Trunk Railway, and inferentially so by Senator Bankhead. Mr. Logan says:

> The parcel post ought to be treated as a parcel-post business, separate and distinct, and a basis of division of the rate used—a percentage basis—similar to that in England, a percentage to be determined by competent authorities. (Vol. 4, p. 549.)

Senator Bankhead expresses himself as follows:

> The point I have in mind is, I do not know whether it is practicable or not, but sooner or later we will have to separate the parcel post from the first-class mail matter.

All the plans proposed and discussed in the foregoing pages, with the exception of the present law (weight basis) and the percentage basis, contemplate, either expressly or by implication, reference of the railway-mail pay question to the Interstate Commerce Commission.

In the Lloyd plan there is a strong implication that the Interstate Commerce Commission shall determine the passenger car-mile revenue, that being the basis on which the rates of his plan are fixed.

The other plans specifically and expressly contemplate such reference, the effect of which would be to relieve Congress of railway-mail pay rate making.

### Government Ownership of Railway Post Office Cars.

The basis for the advocacy of Government ownership of railway post-office cars seems to have been a report made in 1887 by the then Postmaster General, Hon. William F. Vilas, in which he estimated that an approximate saving of a million and a half dollars could be made by such ownership. (For extract from his report see vol. 1 of the hearings, p. 20.) On the same page Hon. Joseph Stewart, Second Assistant Postmaster General, in referring to Mr. Vilas's statement, says:

> The fallacy of the statement of Mr. Vilas, it seems to me, lies in this: That there is no account taken of the cost of operating the cars. The payment that we make to the railroad companies for cars may soon equal their cost, but there is nothing to be argued from that as to the adequacy or the inadequacy of that pay, because that leaves out of consideration entirely the cost of operating or hauling the car.

By reference to the addenda (vol. 5, pp. 783, 784) of the hearings will be found extracts from a speech delivered by Senator Ashurst, of Arizona, to the effect that the Government could save millions by owning its own postal cars.

The record does not appear to support the conclusions of either Mr. Vilas or Mr. Ashurst.

In a letter dated March 2, 1910, from ex-Postmaster General Hitchcock, addressed to Hon. John W. Weeks, chairman, House Committee on the Post Office and Post Roads (vol. 1, pp. 21, 22), the estimated cost of operating a post-office car per car-mile is given as 18 cents and the average run per day 300 miles, which would be something over 100,000 miles per annum, and the approximate cost of maintenance as $2,049.

The compensation received by a railroad company for operating a car and carrying the mails in it would be approximately as follows:

> The pay for a 60-foot car at $40 a track mile per annum for a track mileage of 150 miles would be $6,000. The average load of a 60-foot car, according to statistics obtained recently, is 2.83 tons. The rate per ton of an average daily weight of 50,000 pounds carried over the route is $25.06. At this rate the company would receive $10,637.97 per annum for the average load of mail hauled in the car. This sum added to the specific rate for the railway post-office car ($6,000) makes the total pay for the car and its average load $16,637.97 per annum. (Vol. 1, p. 22.)

This communication further refers to the necessity of such cars being overhauled, cleaned, and inspected daily, necessitating the use of shops of the several railway companies or the establishment of a Government repair shop, which latter is regarded as not at all feasible.

Mr. Worthington, of the Southern Pacific Co., in testifying before the commission (vol. 2 of the hearings, pp. 337 and 338), makes the following statement:

> In some quarters there seems to be an impression that the additional compensation allowed the railroad company for railway postal cars represents a rental on the value of these cars and is, therefore, excessive, as the usual compensation for a car making the normal mileage will equal the value of a car in about two years. Payment to the railroad, however, includes not only payment of rental to cover interest on investment, depreciation, and cost of maintenance, but also is supposed to cover the extra cost imposed on the railroads of hauling in trains the great weight and space due to moving a distributing post office on wheels, with necessary working space for clerks, as compared with transporting the mails merely as weight, in which case far less space would be required, and that in much lighter cars. Indeed, it is likely that but for the traveling post offices the available space elsewhere on the train might be sufficient for most of the tonnage now carried in the railway post-office cars.

Mr. Worthington, on page 338, also states that if these cars were loaded solid to the roof they would probably hold from 20 to 25 tons of mail, but as now operated are limited to a carrying capacity of 2½ tons. (See also p. 53, vol. 1, of the Hearings, where it is stated that 42 railway post-office cars and 16 storage cars operated daily between two important cities carry only 192 tons of mail matter, an average of 3.4 tons per car.) The mail in the storage cars would reduce the railway post-office load to less than 6,000 pounds (or approximately 2.83 tons) the average tonnage stated in a preceding paragraph.

Mr. Worthington, pages 338 and 339, makes the further statement:

> The cost of a 60-foot steel railway post-office car at the present time is between $10,000 and $11,000. Senate document No. 810, Sixty-first Congress, third session, covering letter of the chairman of the Interstate Commerce Commission of February 2, 1911, gives this cost as $9,500 to $10,500. Ten thousand dollars may be taken as rather below than above the average price. This same letter gives the cost of repairs to postal cars as $7.50 per 1,000 miles. This is less than our experience, and, as the railroads are often obliged to make changes in the interior arrangement by direction of the department, we believe it is

too low, but have, nevertheless, adopted it for this purpose. The cost of cleaning, lighting, and heating the car is given in the document referred to as $4.75 per 1,000 miles. These cars make an average mileage of 90,000 to 100,000 yearly, the Interstate Commerce Commission using the latter figure in its computations by which they determine that the annual cost of maintenance per postal car amounts to $1,225.

After estimating the life of a postal car to be from 20 to 30 years, Mr. Worthington continuing on page 339 says:

If we allow only 8 per cent for interest on investment and depreciation—a low figure—$800 must be set aside for this purpose. A conservative estimate of the actual cost of hauling in trains—that is to say, train-hauling cost, excluding station and road forces, and all other operating expenses—would be 15 cents per mile run, or $15,000 per annum. This would make an aggregate for direct train haul and maintenance per annum of $17,025, or, say, 17 cents per mile run.

To cover these expenses the railroads receive from the department for railway-post-office-car pay, for 60-foot car, $40 per mile per annum, or 10.96 cents per day for furnishing a car, maintaining it, and hauling it both ways over a mile of railroad, this being equivalent to 5.46 cents per car-mile run. Assuming an average annual mileage of 100,000, the total railway-post-office-car pay per annum would be $5,480, or about one-third of the above expenses. In the case of half lines, where no pay is received for return movement, the revenue would be only one-half of this.

On the same page he makes the following comparison of rates per mile received by his company for 60-foot railway post-office cars as compared with rates it would receive under its published tariff from Chicago to California for moving empty cars belonging to other railroads:

| | Cents. |
|---|---|
| Railway postal-car pay for 60-foot car, per mile run | 5.5 |
| Tariff rates for empty sleeping and dining cars, per mile run | 16.7 |
| Tariff rates for passenger coaches, per mile run | 15.4 |
| Tariff rates for empty freight cars moving in freight trains, per mile run | 8.3 |

He calls attention to the fact that the tariff rates mentioned "are for hauling in trains only, and do not include any obligation on the part of the carrying railroad for maintenance or cost of car ownership."

Mr. Bradley (vol. 2, p. 433) gives 4.4 cents a running mile as the average present pay for railway post office cars on the Pennsylvania lines, and 3.4 cents as the cost of repairs, light, heat, etc., leaving 1 cent a mile for cost of hauling and return on capital invested.

Mr. Worthington being reminded by the chairman that his computation was based entirely on his railway post office revenue, and upon the latter's suggestion that he should have considered in his computation the revenue received from the mail carried in the railway post office car, stated on page 340, that if the pay for the 2½ tons were included, the total rate for these cars would be about 20 cents, whereas for their passenger cars they received 31.3 cents.

Mr. A. H. Rowan, of the New York Central Lines, in his testimony (vol. 4, p. 572) states that in addition to the transportation charge for the weight of mail handled in the car (estimated to be 2 to 3 tons) his lines receive for their railway post office service pay ranging from 3.4 cents per mile for a 40-foot car to 5.04 cents per mile for a 60-foot car, making the average earnings on a railway post office car 20 cents per mile as compared with 32 cents per car-mile received from passengers, the average number of passengers carried being 16.

The joint committee has made every effort to obtain specific information bearing on the question of Government ownership of postal cars, as is evidenced by interrogatories made of Gen. Stewart and Mr. Peters by the chairman, respectively, stated on page 23 and pages 221 and 222 of volume 1 of the hearings.

A committee representing the railways and the Post Office Department in response to and as suggested by the interrogatories referred to was appointed and reported on matter relating to car-foot-mile revenue (vol. 2, p. 324), but have so far failed with reference to the railway post office statement, except in this particular, namely:

Under date of September 17, 1913, Mr. Peters, chairman of the committee on railway mail pay, submitted sworn statements of 14 railroads relative to cost of construction and maintenance of 60-foot steel railway post office cars, estimates of which had previously been laid before the Post Office Department members of the committee. That a compliance with the request of the chairman for a report on Government ownership would be embarrassing to the railroad members of the committee, is indicated by the following quotation from Mr. Peters's letter:

> It was the belief (referring to a number of meetings held) of the railroad members of the committee that it was their special province to furnish to the Post Office Department members of the committee any information or data relating to the subject, and that it would be best for the Post Office Department members to issue their own statement which might include an expression of opinion as to the policy of undertaking the responsibility and burden of governmental ownership of railway post office cars in addition to a discussion as to the economy or lack of economy from the financial viewpoint of undertaking the experiment.

A summary of the sworn statements of the 14 railroads referred to on the preceding page might be of interest and profit. This summary is as follows:

*Summary of report of 14 railroad companies to the committee on railway pay relative to the cost of construction and maintenance of railway post-office cars.*

| Name of road. | Number of cars. | | | Length. | | | |
|---|---|---|---|---|---|---|---|
| | Part steel. | All steel. | Total. | Part steel. | All steel | | |
| | | | | | Number. | Feet. | Inches. |
| | | | | *Ft. In.* | | | |
| B. & O. R. R. | | 15 | 15 | | 10 | 60 | 1 |
| | | | | | 5 | 70 | |
| C., M. & St. P. Ry. | 7 | 4 | 11 | 60 1/4 | | 60 | |
| C., B. & Q. R. R. | | 11 | 11 | | 6 | 40 | |
| | | | | | 5 | 60 | |
| C. & N. W. Ry. | | 33 | 33 | | | 60 | |
| C., R. I. & Pac. R. R. | 5 | 36 | 41 | 5 60 | 8 | 40 | |
| | | | | | 28 | 60 | |
| C., C., C. & St. L. Ry. | | 10 | 10 | | 10 | 66 | 6 1/2 |
| Central of Ga. Ry. | | 2 | 2 | | | 60 | 1 1/2 |
| Ill. Central R. R. | | 22 | 22 | | | 60 | |
| Mich. Central R. R. | | 10 | 10 | | 10 | 60 | 6 1/2 |
| Mo. Pacific Ry. | | 31 | 31 | | | 60 | |
| N. Y. C. & H. R. R. R. | | 34 | 34 | | 34 | 60 | 6 |
| Penn. Lines | | | | | | | |
| So. Pacific Ry. | | 51 | 51 | | 43 | 60 | |
| | | | | | 8 | 40 | |
| St. L. & S. F. R. R. | | 19 | 19 | | 19 | 60 | 1 1/2 |

*Summary of report of 14 railroad companies to the committee on railway pay relative to the cost of construction and maintenance of railway post-office cars*—Continued.

| Name of road. | Average weight. | | | Average cost of construction. | | Estimated cost according to post-office specifications. |
|---|---|---|---|---|---|---|
| | Part steel. | All steel. | | Part steel. | All steel. | |
| | | Feet. | Pounds. | | | |
| B. & O. R. R | | 60 | 128,650 | | | |
| | | 70 | 132,300 | | $10,823.11 | $12,700.00 |
| C., M. & St. P. Ry | 117,400 | | 125,300 | $8,190.40 | 12,168.56 | 12,840.56 |
| C., B. & Q. R. R | | 40 | 84,000 | | [1] 8,798.37 | |
| | | 60 | 119,700 | | [2] 10,464.76 | 10,863.35 |
| C. & N. W. Ry | | | 110,000 | | 10,500.00 | 11,500.00 |
| C., R. I. & Pac. R. R | 106,000 | 40 | 90,000 | | [1] 8,395.00 | |
| | | 60 | 123,000 | 9,588.00 | [2] 10,550.00 | 12,000.00 |
| C., C., C. & St. L. Ry | | | 128,052 | | 12,144.66 | 12,000.00 |
| Central of Ga. Ry | | | 107,400 | | 9,636.57 | 10,500.00 |
| Ill. Central R. R | | | 114,200 | | 9,427.27 | 10,393.09 |
| Mich. Central R. R | | | 127,600 | | 12,050.80 | 12,100.00 |
| Mo. Pacific Ry | | | 109,900 | | 9,340.87 | 12,000.00 |
| N. Y. C. & H. R. R. R | | | 117,000 | | 10,900.00 | 11,655.00 |
| Penn. Lines | | | | | | 11,000.00 |
| So. Pacific Ry | | 40 | 77,200 | | [1] 6,710.00 | |
| | | 60 | 109,800 | | [2] 9,361.00 | 9,650.00 |
| St. L. & S. F. R. R | | | 115,500 | | 11,410.00 | 12,000.00 |

| Name of road. | Maintenance. | | | | | | Annual average run per postal car. |
|---|---|---|---|---|---|---|---|
| | Total, part steel. | Total, all steel. | General repairs and painting.[3] | Running repairs.[3] | Lighting.[3] | Cleaning.[3] | |
| | | | | | | | *Miles.* |
| B. & O. R. R | | $2,855.23 | $567.00 | $832.04 | $517.50 | $358.00 | 120,000 |
| C., M. & St. P. Ry | $4,076.83 | 4,196.18 | 238.27 | 1,609.94 | 496.31 | 1,183.25 | 111,031 |
| C., B. & Q. R. R | | 2,595.51 | 605.70 | 457.12 | 690.00 | 255.30 | 114,214 |
| C. & N. W. Ry | | 2,943.16 | [4]1,021.14 | | 1,315.60 | 456.00 | 121,277 |
| C., R. I. & Pac. R. R | | 2,348.39 | 790.00 | 347.13 | 292.69 | 299.21 | 104,400 |
| C., C., C. & St. L. Ry | | 2,365.39 | 1,011.46 | 345.00 | 252.15 | 146.93 | 94,795 |
| Central of Ga. Ry | | 2,322.03 | 550.00 | 500.00 | 480.00 | 273.75 | 81,775 |
| Ill. Central R. R | | 3,267.54 | 755.17 | 1,000.00 | 680.00 | 225.00 | 106,384 |
| Mich. Central R. R | | 2,928.75 | 800.00 | 905.16 | 436.52 | 219.00 | 90,516 |
| Mo. Pacific Ry | | 2,483.60 | 560.00 | 407.00 | 624.00 | 210.00 | 110,293 |
| N. Y. C. & H. R. R. R | | 2,924.74 | 375.00 | 719.01 | 655.67 | 406.20 | 135,400 |
| Penn. Lines | | 3,418.56 | 799.45 | 1,060.00 | 663.98 | 206.34 | 106,000 |
| So. Pacific Ry | | 2,372.00 | 773.00 | 587.00 | 286.00 | 214.00 | 95,279 |
| St. L. & S. F. R. R | | 2,516.28 | 711.57 | 496.02 | 427.43 | 216.59 | 87,324 |
| Total | | 39,537.36 | 9,557.76 | 9,265.42 | 7,817.85 | 4,669.57 | 1,478,688 |
| Total average | | 2,824.09 | 682.70 | 661.82 | 558.42 | 333.54 | 105,620 |

[1] 40-foot.
[2] 60-foot.
[3] The items entering into estimated cost of maintenance for a 60-foot steel car are the following: General repairs and painting, running repairs, lighting, cleaning, inspection, lubricating, icing and watering, heating, depreciation at 3 per cent per annum on cost of construction. For the purpose of comparison, only the larger items are indicated in the statement.
[4] This item includes running repairs.

| | | |
|---|---|---|
| Average weight, 40-foot all-steel cars | pounds | 83,733 |
| Average weight, 60-foot all-steel cars | do | 118,931 |
| Average weight, 70-foot all-steel cars | do | 132,300 |
| | | 334,964 |
| Total average | do | 111,655 |

Average cost of construction:
40-foot steel cars ..... $7,967.79
60-foot steel cars ..... $10,675.20

Total average cost according to post-office specifications, $11,514.42.

The Second Assistant Postmaster General, in his report for the fiscal year ending June 30, 1912, gives the number of railway post-office cars in use and reserve as 1,388, of which 930 are 60 feet in length, proportioned as follows: Steel, 361; steel underframe, 160; and wood, 409. As stated by General Stewart, "Under the present law, all cars which shall be used in the service, excepting those which are now of steel and steel underframe, must be replaced by steel cars before the 30th of June, 1917." (Vol. 1, p. 22.) Wooden cars must be retired, beginning with the fiscal year 1914, at the rate of 25 per cent per year. (Vol. 1, p. 22.) The railroads, too, are, as a general rule, only building postal cars of 60 feet and over in length.

In the light of the foregoing, the total average of 111,655 pounds, stated in the foregoing summary, for postal cars is misleading. The Pennsylvania Railroad Co., since it is only building 70-foot cars, made no estimate of the average weight and average cost of construction of a 60-foot postal car. It did, however, based on estimated cost of a 70-foot car of $12,000, estimate the cost of a 60-foot car, according to the Post Office Department's specifications, to be $11,000, and the maintenance cost $3,418.56.

In the foregoing summary there are 290 cars—5 seventies, 263 sixties, and 22 forties. The average cost of construction, according to the railroad's standard, is $10,675.20; $11,514.42 based on the latest specifications of the Post Office Department; and the average cost of maintenance $2,824.09.

According to the Postmaster General's report for the year ending June 30, 1912, there are 174 70-foot cars in use. If these were included in a cost computation the average cost of construction of postal cars would probably approach $12,000.

Figuring on a cost of construction of $12,000, which is perhaps too high, the Government would, if it took over the 1,388 postal cars and replaced those of wooden construction with cars constructed of steel and steel underframe, have to expend $16,656,000, and to maintain them $3,470,000, based on an estimate of $2,500, which is perhaps too low a maintenance figure, making a total first-cost expenditure of $20,126,000. The railroads could not be expected nor could they be compelled to haul cars for nothing. Repair shops would have to be provided for, necessitating the employment of additional men at the Government's expense.

The conclusion of the whole matter is that there is nothing before the joint committee which would appear to sustain the claim made by Senator Ashurst or which would warrant it in recommending Government ownership of postal cars.

### ELECTRIC LINES.

The compensation that electric and cable car lines receive for carrying the mails is dependent upon a space basis. For independent or apartments in independent cars not exceeding 16 feet in length, and for 20 feet in certain exceptional cases, they are paid 1 cent per linear foot for each mile run, and for closed pouch service certain rates for certain distances regardless of the number of pouches dispatched.

In a bill prepared by Mr. Henry C. Lyons, secretary of the Boston Elevated Railway Co., and submitted to the joint committee on behalf

of the American Electric Railway Association, it is proposed to increase the 1 cent per linear foot rate above referred to to 1½ cents and to limit the number of closed pouches that can be carried without extra compensation being paid therefor to three. It is also proposed to increase the car space for which compensation can be paid from 16 to 30 feet and to provide for a minimum annual rate on the basis of 30,000 miles.

The proposed bill is set out in full in volume 5 of the Hearings, page 778. The Post Office Department disapproves of same as set forth in a memorandum prepared by Hon. Joseph Stewart, Second Assistant Postmaster General, and submitted to the joint committee by the Postmaster General on July 25, 1913. (Vol. 5, pp. 780 to 782, inclusive.) General Stewart is of the opinion that the tentative bill proposed in Document No. 105 and as subsequently modified and printed on page 109 of the preliminary report provides "a scientific and equitable plan for the fixing of compensation for the carriage of mails by railroads, both steam and electric." (Vol. 5, p. 782.)

From a conversation had with Mr. Lyons, the representatives of electric railroad lines have failed to appreciate that the suggested plan of the department contemplated its application to their lines as well as to steam railroads. While they have proposed a bill to amend existing law, it does not appear that they are opposed to a space basis predicated on cost.[1]

The testimony of electric railway representatives may be found in volume 1 of the Hearings, beginning on page 140 to 171, inclusive. The testimony of representatives of the Boston Elevated Railway Co., the Brooklyn Heights Railroad Co., and of the Chicago railways indicate that they claim a loss in the carriage of the mails of approximately $18,000 for each company. (Vol. 1, pp. 142, 161, and 167.)

Under the bill proposed by the electric lines, Mr. J. H. Neal, auditor of the Boston Elevated Electric Railway Co., presents a statement showing that if it had been enacted into law a year previous to his statement that his company would have received $19,506.86 more than it did receive if linear foot rate had been 1½ cents instead of 1 cent, and $12,076.63 additional if they had been guaranteed a minimum annual rate based on 30,000 miles run. Mr. Lyons states that the $19,506.86 would make the company whole." (Vol. 5, p. 779.)

### LORENZ PLAN.

This plan is one proposed by Mr. M. O. Lorenz, associate statistician of the Interstate Commerce Commission, and for a period employed by the joint committee to make a study of the railway mail problem. Since he has, as already indicated on the first page of this memorandum, filed a report and one embracing the plan recommended by him, full details may be had by reference to same.

It will only be necessary here to say that his plan is in the nature of a compromise between a space and a weight basis. His plan in

[1] For a qualification of the statement made in the text see p. 981 of a letter addressed to Hon. John A. Moon by a committee of the American Electric Railway Association, printed in this volume, under heading "Electric and Cable Car Routes," where it is said: "The proposition of the Post Office Department to pay the carriers on the basis of 6 per cent upon the capital invested is not believed to be a practicable proposition, as it is not believed that the Post Office Department and the carriers could ever agree upon the valuations involved."

brief proposes to pay a certain rate for a standard car, say 60 feet, a lower rate being paid as the distance, measured by zones, increases, and a proportionately higher rate in each of the distance zones as the weight of the mails increases. His plan provides for ascertaining the average load per car rather than the average daily weight over the line as at present.

His plan further provides or rather contemplates a submission of the rates fixed to the Interstate Commerce Commission by either the Post Office Department or the railroads upon complaint made that the rates fixed are too high or too low, and then for an appeal to some court for judicial and final determination.

His method of treatment of the closed pouch service will be disclosed by reference to his report. (See pp. 873 to 876, inclusive.)

Now, having discussed the first premise, namely, various bases of compensating the railroads for carrying the mails, the next consideration will be to inquire what attitude the Government should assume in reaching a determination as to the rate or rates to be paid, and whether or not the railroads are receiving adequate compensation for the services they are now rendering the Government.

The foregoing considerations will be respectively discussed under the headings following, namely:

(1) Should the United States Government be given preferential treatment in the matter of mail transportation?

(2) Are the railroads underpaid or overpaid?

### Should the United States Government be Given Preferential Treatment in the Matter of Mail Transportation?

Frequent intimations have been made in the hearings, because of the so-called power of eminent domain, a privilege not enjoyed by any individual, and the protection the Federal Government affords them in case of strikes, that the railroads should perform the services incident to transporting the mails for the Government at a less price than if they were doing the same service for an individual. Representatives of the railroads are in accord that there is no justification for this view. (Vol. 2, p. 439.)

Hon. Joseph Stewart, Second Assistant Postmaster General, makes the following statement as to what, among other things, should be taken into consideration in determining a proper return the railroads of the country should receive for their services in transporting the mails:

> What the relation is between what they receive and the fair value of what they give * * * what it is worth to the railroad companies to carry the United Sates mails and what they owe the Government of the United States, what they owe the people; what they owe the country at large for the privilege of maintaining their corporate existence and receiving public grants of land, rights of way, and performing practically a monopoly of the transportation service of the country. (Vol. 5, p. 657.)

The Government of the United States in asserting jurisdiction over the matter of mail transportation is simply carrying out an obligation imposed by necessary implication by that provision of the Constitution which authorizes Congress "to establish post offices and post roads." In controlling and regulating mail transportation, by whatever agency or intrumentality employed, it can only be regarded

as in the proper discharge of a governmental function. On the other hand, a railroad corporation is a private concern and entitled to receive that same protection and consideration from the Federal Government that is accorded an individual under those provisions of the Constitution which declare that no person shall be deprived of his property "without due process of law" and that "private property" shall not be taken "for public use without just compensation."

A railroad corporation is nothing more than an aggregation of individuals. The capital employed in the conduct of such a business is larger than most individuals can furnish or are willing to risk, hence the necessity of combining the resources of individuals. The officers, bondholders, and stockholders of these corporations are a part of the people engaged in a legitimate business that is essential to the happiness and welfare of the people of the country as a whole, for railroads mean expansion and development. In this connection the following is quoted from an address delivered by Mr. Elliott, the new president of the New York, New Haven & Hartford Railroad Co., at Helena, Mont., in September, 1909, and appearing in an article printed in Leslie's Weekly of August 21, 1913:

> Now, who is the owner of this enormous and complicated piece of machinery built up in the last 50 years? The best figures obtainable as to the number of stockholders of our railways show 440,000, and while the number of bondholders can not be determined with the same accuracy, information about a few roads indicated that the number of bondholders exceeds the number of stockholders, and that 1,000,000 is not an unfair figure to represent those holding railway securities. The average of each owner of railway property in this country is $13,600. Of course, some individuals hold more than this, and very many hold much less, but the statement that the railways are owned and controlled by a very few rich men is not correct. These 1,000,000 owners represent at least 4,000,000 people in the United States, whose daily bread and butter depends more or less on the failure or success of the railways. In addition to the 1,525,000 employees working directly for the railways, there are 2,500,000 in coal mines, steel mills, manufacturing plants, all supplying what is necessary for the railways in their operations, who represent at least 10,000,000 of our total population. So the railway employees and the employees of the industries dependent more or less upon its maintenance on a sound basis represent approximately 16,000,000 people whose rights must be considered.

It is true that in times gone by the railroads have received grants of land and donations in the way of subsidies from the Government. In the early days capital was limited and the railroads had to be so encouraged; otherwise they would not have been built, and our country opened up and developed.

The power of eminent domain should not be regarded wholly as a privilege, but rather as an arrangement of reciprocal advantage to the State and its citizens generally on the one hand and its citizens comprising the corporation and those dependent upon the corporation for support on the other. But for such a power, who can say what effect individual avarice and cupidity would have had on the development of our country? A few individuals, or even one, could have held up railroad extension indefinitely with resultant discomfort, inconvenience, and pecuniary loss to thousands of other individuals.

Such considerations can only lead to the conclusion that the railroads are entitled to receive from the Government for service rendered in transporting the mails a reasonable rate. They are just as much entitled to it as an individual. They contribute large

amounts to Government support in the way of taxes and in the purchase of postage stamps. A rate to be reasonable must be sufficiently high to include compensation for the service performed and a return on the capital employed. More than this the railroads should not expect or be permitted to receive. To deny them a reasonable rate and to fix upon one that was noncompensatory would certainly mean, if applied to all articles transported, withdrawal of investments in railroad properties resulting in bankruptcy of railroads and then ultimately Government ownership of railroads.

As a corallary to the plea advanced that the railroads are entitled to receive a reasonable rate it can be just as positively asserted that they should be regulated in order that they may be prevented from charging an unreasonable rate. It is necessary for the protection of society and for the well being of the individual himself to regulate his conduct. So, too, in order to protect the public from an avaricious corporation, it is necessary to regulate its conduct and its affairs. In this respect the individual and the corporation should stand on an equality before the law. Both should be permitted under the law to receive a reasonable rate and the affairs of both should be so regulated that such a rate may not be exceeded.

On the whole it would appear that any theory advanced that the railroads are not entitled to receive a reasonable rate for the transportation of mails as above defined is subversive of that principle of "equality before the law" which is the very foundation of our Government as well as repugnant to the constitutional provisions already referred to.

### ARE THE RAILROADS UNDERPAID OR OVERPAID?

Having determined that the railroads are in all justice and equity entitled to a reasonable rate for their services in the matter of mail transportation, the next inquiry is to determine whether they are now receiving such a rate or one that is below or in excess of a reasonable rate.

Since the law of 1873 was enacted there have been, as already indicated on page 906 of this memorandum, several reductions in railway mail pay. These reductions were doubtless made in response to a steadily growing general impression that the railroads were being overpaid.

Congress after making the reductions of 10 and 5 per cent in the years 1876 and 1878, respectively, later, namely, on June 13, 1898, authorized the appointment of a commission to inquire, among other things, "whether or not excessive prices are paid to the railroad companies for the transportation of mails and as compensation for postal-car service." That commission in the discharge of the duty imposed upon it made its report on January 1, 1901, reaching the conclusion that the railroads were not receiving excessive prices for either the transportation of mail or their postal-car service. Its statistician, inferentially at least, reached a similar conclusion, but on a hypothesis, fully referred to on pages 904 to 905, inclusive, of this memorandum, that mail could be more economically loaded, recommended a reduction in the rates then obtaining, as will also appear by reference to the pages just indicated.

Under the operation of the basic law of 1873 there was, as will appear from a table presented by Mr. H. C. Adams (vol. 2, p. 249, Wolcott-Loud Postal Commission Report), an automatic decrease in the rate per ton-mile as the volume of mail increased, varying, exclusive of postal-car pay, from $1.17 for an average daily weight of 200 pounds to 6.073 cents per ton-mile for an average daily weight of 300,000 pounds. These figures, under the operation of subsequent reductions made in 1876, 1878, 1907, and the application of divisor order No. 412, made in the latter year, to be hereafter referred to, were reduced to $1.11 per ton-mile for an average daily weight of 200 pounds and to 5.534 cents per ton-mile for an average daily weight of 300,000 pounds, exclusive of postal-car pay, as will appear from a statement prepared by Mr. H. T. Newcomb, statistician of the railroads committee on railway mail pay. (Vol. 1, p. 97.)

Notwithstanding the conclusion reached by the commission in 1901, Congress again, as referred to in the preceding paragraph, on March 2, 1907, reduced the rate 5 per cent on weights in excess of 5,000 pounds and less than 48,000 pounds and the equivalent of a 10 per cent reduction for each 2,000 pounds in excess of 48,000 pounds, and also reduced the rates fixed by the law of 1873 for railway post-office car service. In addition to this administrative order No. 412 was issued the same year, reducing the average daily weight by the application of a divisor of 7 instead of 6. (Vol. 1, pp. 98–99; vol. 5, p. 726.)

The reductions occasioned by the law of 1907 and by divisor order No. 412 have already been discussed on pages 917 and 918 of this memorandum, and there is no occasion to more than refer to them here.

Congress also on May 12, 1910, reduced the rate on land-grant routes for each 2,000 pounds in excess of 48,000 from $17.10, the rate prescribed by the act of 1907, to $15.39.

Mr. Newcomb makes the following summary of the reductions occasioned by the acts and administrative order No. 412, above referred to (vol. 1, p. 101):

| Cause of reduction. | Amount of reduction. |
|---|---|
| Natural operation of law of 1873 | [1] |
| Competition stimulated by Post Office Department | $174,544.51 |
| Act of Mar. 2, 1907, and amendment of May 12, 1910 | 2,723,658.90 |
| Postmaster General's divisor order | 4,941,940.34 |
| Withdrawal of pay for special facilities | 167,005.00 |
| Withdrawal of mail supplies from mails | 525,000.00 |
| Total (with no allowance for the first item above) | 8,532,148.75 |

[1] No estimate.

Two items of this aggregate of $8,532,148.75 should never have been mentioned, as their presentation tend to weaken rather than strengthen the railroad's argument that they are underpaid. The two items referred to are those for "Competition, stimulated by Post Office Department" and "Withdrawal of pay for special facilities," amounting, respectively, to $174,544.51 and $167,005, or a total of $341,549.51. The reason for our elimination of the former can

be found by reference to page 935 of this memorandum. The special facilities appropriation is nothing more nor less than a subsidy, the discontinuance of which was recommended by the Wolcott-Loud Commission in its report (vol. 1, p. 21). The time has come when the Government should not expect the railroads to transport its mail at less than a reasonable rate, and equally true it is that the railroads should not ask or expect to receive special favors or concessions from the Government in the way of subsidies. While it is not quite so apparent, yet it would seem that the inclusion of the item of $525,000 for "Withdrawal of mail supplies from the mails" also weakens rather than strengthens any claim of underpayment. The Post Office Department should certainly have the same right as a shipper of any other commodity to exercise the option of sending its supplies by freight or express as best suited its purpose and convenience.

It would appear that the three items just discussed, aggregating $866,549.51, should have been omitted from the statistician's summary of reductions, thus reducing the total of reductions stated to $7,665,599.24. This latter amount represents reductions of $2,723,658.90 occasioned by the act of March 2, 1907, and the amendment of May 12, 1910; and $4,941,940.34 occasioned by the Postmaster General's divisor order No. 412.

The decision of the Court of Claims, holding the divisor order to have been made without authority of law, and rendering judgment for the plaintiff, Chicago & Alton Railroad Co., has been referred to and discussed in prior pages of this memorandum. (See pp. 917 and 918.) The proposed promulgation of an order similar to the one subsequently issued and known as "No. 412" was strongly condemned in 1885 by the then Postmaster General Hatton, in a "Documentary history of the Railway Mail Service," transmitted to the Senate of the United States under date of January 21 of that year. (See S. Ex. Doc. No. 40, 48th Cong., 2d sess., p. 68.) While it is believed the Post Office Department's judgment was erroneous in insisting upon the issuance and then the administrative enforcement of the order in question and its further prosecution of the matter in the courts, particularly in view of the reductions made by the act of 1907, the opinion is expressed, as already indicated on pages 917 and 918 of this memorandum, that consideration of this item by Congress can well be postponed until a final decision has been rendered by the Supreme Court of the United States. If the Supreme Court's decision should be favorable there would be no necessity of disturbing the law of 1907, as the amount to be recovered from and thereafter to be paid by the Government by reason thereof, added to the $7,100,000, which amount, as indicated on page 918, the railroads appear to be entitled to receive from annual weighings for their side and terminal services and for the use of apartment cars, would approximate a reasonable compensation for the service rendered. The amount of $500,000 for side service was there stated to be more than conservative, and this for the reason that said amount only covers the estimated cost without any compensation for the service performed.

The railroads confidently rely on the report of the Wolcott-Loud Commission made in 1901 as demonstrative that they did not charge or receive excessive rates at that time and to sustain their claim that subsequent reductions were unwarranted because of the increase in

cost of almost every factor entering into railroad operation. (Preliminary report, pp. 14–17, 22–24; vol. 1, pp. 52–54, 110–119, 203, 233, 252, 256, 266–267, 279–286; vol 2, p. 334; vol. 3, pp. 447, 525–526; vol. 4, pp. 531, 535, 556, 588–589; vol. 5, pp. 724–727, 729, 730.)

If the present system of pay is to be continued the conclusion can not but be reached that the railroads are approximately underpaid $12,000,000, and this without reference to the plan embodied in Document 105 and subsequently modified by the department in its tentative bill printed on page 109 of the preliminary report, except that the estimate made for apartment-car service is obtained by the application of a percentage obtained from the department's car-foot-mile figures for railway post-office and apartment-car service given on page 196 of Document No. 105.

### MAIL PER TON-MILE RATE VERSUS EXPRESS PER TON-MILE RATE.

This leads to a consideration of certain observations, appearing in the Congressional Record of February 26, 1913, made by Senator Ashurst, of Arizona, the purpose of which evidently was to create an impression in the public mind that the compensation the railroads were receiving was largely in excess of what was fair and reasonable. He makes the positive assertion that the railroads receive between two and three times as much from the Government for carrying the mails as they do from express companies for carrying express. His statement is apparently based on a presentation made by Prof. Henry C. Adams, statistical expert of the Wolcott-Loud Commission, and printed in its report of February 1, 1901 (Pt. 2, p. 237), showing the relative earnings, between certain designated points, from freight, express, and mail traffic per 100 pounds or per ton. Mr. M. O. Lorenz, while admitting the correctness of the rates quoted by Senator Ashurst, takes issue with him as to the application sought to be made in the following language:

> It is undoubtedly true that the railways get more from the Government for the transportation of mails per ton-mile than they do from shippers of freight per ton-mile and probably more than they get from express companies per ton-mile. But whether this indicates overpayment for carrying the mails depends on whether the ton-mile unit is the proper basis of comparison between these services. That there are important differences between the carrying of the mails and the carrying of even first-class freight is obvious. * * *
>
> It will be sufficient to say here that it can be demonstrated beyond question that it costs considerably more to haul a mail car a mile than it does to haul a freight car a mile, and the number of tons of mail in a mail car on an average will be less than the number of tons of less-than-carload freight in a car even on the denser routes. It follows that the cost of hauling a ton of freight a mile, and probably even a ton of first-class freight, will be considerably less than the cost of hauling a ton of mail for a given distance. For these reasons, it seems to me misleading to present a table giving freight rates and mail rates per ton-mile, or per ton for a given distance, with the idea of showing that the latter are higher for a similar service.

On the basis of car-foot-miles the evidence before the joint committee clearly discloses that the railroads are receiving less from the carriage of mail than from express. (Vol. 1, pp. 52, 95, 122, 123; vol. 2, pp. 324–325, 327–329, 333, 335, 360–362, 427–428, 437; vol. 3, pp. 515, 526; vol. 4, p. 607; vol. 5, pp. 732–734, 744, 747–757, 763–764, 772–776, 820, 821, 843.)

One company represented at the hearings showing a gain in mail revenue over that of express was the Atchison, Topeka & Santa

Fe Railroad Co. In a statement presented by Mr. Peabody, statistician of that company, he gives (vol. 3, p. 526) the earnings per car-foot mile from mail as 3.43 mills and for express 3.28 mills, and this he accounts for because of the greater average haul of express made on his line, the average haul for the whole country being about 200 miles. He stated, however, "that express pays more as a rule to the railroads than the mail—that is, they get more out of the express business than they do out of the mail." (Vol. 3, pp. 504, 505, 506.) On page 515 he presents a statement showing that the revenue per gross ton-mile in mills on mail traffic was 4.08 as against a revenue of 6.50 mills per gross ton-mile for less-than-carload freight. In other words, it developed in the course of his testimony that while the less-than-carload business on the Atchison, Topeka & Santa Fe amounted to only 7.31 per cent of the total freight business, yet it paid 2.42 mills more per gross ton-mile than did 90 per cent of the mail per ton-mile. (Vol. 3, pp. 516 and 518.)

To indicate the dissimilarity between mail and express and the additional services required by the Government in the transportation of the former, which in most instances the express companies perform for themselves, reference is made to the hearings as follows: Volume 1, pages 123–124, 335, 337, 360, and 361; volume 2, pages 437–438; volume 3, pages 564 to 569, inclusive, 574, 590, and 591; volume 4, page 586; volume 5, pages 743, 745, 746, 772 to 776, 786, 788, and 821.

Reference to the foregoing volumes and pages of the hearings will indicate to, if not convince, the inquirer, because of the additional services required in mail transportation that the employment of a ton-mile unit is not a fair basis of comparison to reach the conclusion that the railroads are receiving a higher compensation for their mail than their express service.

This leads now to a consideration of Document No. 105 itself as a guide to determine whether or not the railroads of this country are overpaid or underpaid for their services in connection with mail transportation.

As already indicated on page 920, Postmaster General Hitchcock announced in Document No. 105 that if the plan there proposed were adopted it would result in a saving to the Government of $9,000,000 annually.

It has been further indicated on page 922 that if 1.78 per cent (mail percentage of total railroad revenue) were taken and applied to $14,000,000,000 (total estimated railroad capitalization), approximately $250,000,000 would be obtained as the proportion of capital employed by the railroads in their mail-service transportation. The department, as already indicated, has conceded that there should be some allowance made for capital employed. If 6 per cent is taken as a reasonable rate, that percentage applied to $250,000,000 would entitle the railroads to receive $15,000,000 on capital account. From this amount, if conceding the department is correct in other respects, the alleged saving of $9,000,000 should be deducted, leaving an apparent underpayment of $6,000,000. If 4 per cent were taken as a fair return on capital account the apparent underpayment would be $1,000,000. In any event the department has admitted on the record made that a return on the capital employed would entirely wipe out the alleged $9,000,000 saving. (Vol. 1, p. 8.)

The next consideration is to inquire what effect the car-foot miles eliminated by the department from the mail service has on the question of "underpayment" or "overpayment." An analysis of the department's figures presented in Document No. 105 will disclose that the railroads were receiving 4.16 mills from their passenger service and 4.14 mills from their mail service. The figures presented to the department by the railroads disclose, as claimed by them, 4.25 mills from their passenger service and 3.23 mills in revenue from their mail service. These discrepancies were the result of the department throwing out car-foot miles that the railroads had reported necessary in the conduct of its mail-transportation service. In view of these discrepancies a committee, at the request of Chairman Bourne (vol. 1, pp. 221–222), was organized, consisting of three departmental and three railroad representatives. They met and on March 15, 1913, reported that the earnings per car-foot mile in mail service was 3.37 mills and in passenger service 4.34 mills. (Vol. 2, p. 324.)

In order to be fair and not misrepresent the position of the departmental members of the committee just referred to, the following is quoted from the joint report:

> A computation made by the Post Office Department from the data reported by the railroads, representing 187,760 miles of service, as actually operated in November, 1909, without any of the changes and modifications which the department deemed necessary and proper to make in preparing Document No. 105 brings the result above indicated.

However, since the railroad and departmental figures in the first instance were 3.23 mills and 4.14 mills, respectively, and those figures, after formal conferences had between representatives of those respective interests, changed to 3.37 mills, there is certainly a strong presumption that a compromise was reached and that there must have been in the minds of the departmental representatives that the department in its treatment of car space had not given sufficient consideration to the figures presented originally by the railroads. Support for such a construction of the report referred to may be found in volume 3, page 509, where Mr. McBride admits that some mistakes were made in the classification of car-foot-mile space, and again on page 511, where he says:

> I think where the demand of the service requires them to run an additional car in addition to the regular baggage car they should be credited with the return space if they do not use it.

In this connection Mr. Lorenz says (p. 514):

> I can not understand * * * why, on this particular point, the Post Office Department should have rejected the dead space from the mails and put it in the passenger service.

Mr. McBride further states:

> I think the record will show that the department has conceded that part of the space that was charged as dead space should have been charged to the mail service, referring particularly to the return movement of full postal cars and storage cars that could not be made use of by the companies. The statement is made in a letter from the former Postmaster General, Mr. Hitchcock, that in the consideration of the question certain modifications in the use of the data were proper. (Vol. 5, p. 648.) (See also preliminary report, pp. 96 and 109.)

Taking the readjustment by the Post Office Department of its car-foot-mile figures, resulting in a mail revenue of 3.37 mills instead of

4.14 mills as a declaration on its part that the railroads were entitled to this concession, the indication is that the railroads were further underpaid in 1909 in the sum of $8,074,931.50.

In Document No. 105, the total operating expenses and taxes chargeable to the mail service for the month of November, 1909, are stated to be $2,682,797.92. This cost should be increased by 23.7 per cent, or by $635,822.50, making a total cost for November, 1909, of $3,317,620.42. The percentage referred to was obtained by subtracting 3.37 mills from 4.14 mills and dividing the result (77 point difference) by 3.37, this percentage representing a reduction in the department's original per-car-foot mail revenue figure. Applying 6 per cent to the cost as above stated a figure of $3,516,677.64 is obtained, this amount representing the actual cost of operation and taxes plus 6 per cent return to the railroads for that month. Multiplying this amount by 12 an amount for the year is obtained of $42,200,131.78. Similarly, if the department's cost figure stated on page 280 of Document No. 105 and referred to above is taken, a result is obtained for the year of $34,125,200.28. Subtracting this from the last-named amount, gives a result, as stated in the next preceding paragraph, of $8,074,931.50 as the apparent underpayment by reason of the elimination of car-foot-miles.

Applying the foregoing amount, dependent upon whether a 6 or a 4 per cent return is used on capital employed, to $6,000,000 or $1,000,000, as the case may be (p. 960; also p. 922), an apparent underpayment is obtained of $14,074,931.50 and $9,074,931.50, respectively, either of which amounts is a close approximation to the $12,000,000, which has been stated to be the amount the railroads are justly entitled to under existing law. (See pp. 918, 958, and 959.)

## Conclusion.

On page 609 to 616, inclusive, of volume 4 of the Hearings, Mr. H. E. Mack, manager of mail traffic of the Missouri Pacific Railway Co., makes the argument that railway-mail pay should more than equal passenger-train earnings. Later, on page 664 of volume 5, he says:

> We think the present rates are not productive of sufficient revenue for the reason that the revenue produced is not equivalent to the earnings of other passenger-train service.

This statement prompted the following query from Chairman Bourne:

> If you get 25½ cents per car-mile for passenger service and the same for mail service, that would settle the question? (Vol. 5, p. 664.)

To this query Mr. Mack replied:

> I would hardly say that. That leads us to the exclusive space basis, which I do not consider as the proper one. (Vol. 5, p. 664.)

While he admits that "the relative space determines whether the relative rates are compensatory," he suggests that rates equaling the passenger revenue could be "adjusted by an increase in the rates for weight or it could be adjusted by an increase in pay for space." (Vol. 5, p. 664.) He does not, however, indicate how the proposed increase is to be applied on weight or space to equal the passenger

revenue. His position is simply a restatement of the argument that space is a yardstick that should only be applied in connection with the ascertainment of cost to demonstrate a noncompensatory rate, but that, as a basis of pay, it is out of the question. Such an argument the writer has endeavored to explode in his discussion of the Lloyd plan (pp. 930 to 935) and also of "cost" (pp. 924 to 929).

The writer is inclined to agree with Mr. Mack's contention to the extent that the mail car-mile revenue should at least equal the passenger car-mile revenue. The Interstate Commerce Commission, through its secretary, Mr. G. B. McGinty, has said in a letter dated March 24, 1913, addressed to the chairman of the joint committee, that the passenger car-mile revenue for the whole country was 25.43 cents (vol. 2, p. 362); whereas in a memorandum submitted by Mr. M. O. Lorenz, the mail revenue per car, based on railroads' claim as to dead space, is stated to be 18.49 cents as against the Post Office Department's figure of 22.80 cents. (Vol. 2, p. 325; see also vol. 4, pp. 618 and 620; and vol. 5, p. 652.)

That the passenger business, generally speaking, is not compensatory to the railroads is indicated by reference to page 57 of the text of the Twenty-fourth Annual Report on the Statistics of Railways in the United States for the year ending June 30, 1911. On that page the percentage of passenger revenue to the total of railroad revenue is stated to be 23.57 per cent. On page 44 of the same report the average receipts per train-mile from all passenger-train services rendered during that year is stated to be $1.30; whereas the average cost for operating expenses alone to run the trains of all classes, both passenger and freight, is stated to be $1.54. Mr. M. O. Lorenz, volume 4, page 627, while unwilling to commit himself to a statement that the passenger business was unremunerative, does say that "he is rather inclined to think is not likely to be found as profitable as the freight."

If the passenger business is not remunerative the mail business is certainly not, for reasons indicated in various parts of this memorandum. Should that premise be accepted as true, the railroads are entitled to a reasonable rate as defined on pages 955 and 956. The handling of first-class mail matter is remunerative to the Government; there is a growing public demand that postage on second-class mail matter should be raised in order that it might more nearly pay the cost of handling; fourth-class or parcel-post matter, from statements given out by the Post Office Department, is now yielding a profit, and third-class mail matter is being handled without any material loss to the Government. Why, therefore, should not the several classes into which railroad transportation is divided each pay its proportionate share of operating costs and receive its proportionate share in the way of profits in order that no one service may be a drain on the other?

The following is a compilation made from pages 28 and 29 of the Statistical Report of the Interstate Commerce Commission, referred to above, showing the average wage per day of various classes of railroad employees for the year 1911 as compared with the year 1910.

| Class of employees. | Average wages per day. | | |
|---|---|---|---|
| | 1910 | 1911 | Increase. |
| | | | *Per cent.* |
| General officers | $13.27 | $12.99 | —2.11 |
| Other officers | 6.22 | 6.27 | .80 |
| General office clerks | 2.40 | 2.49 | 3.75 |
| Station agents | 2.12 | 2.17 | 2.36 |
| Other station men | 1.84 | 1.89 | 2.73 |
| Enginemen | 4.55 | 4.79 | 5.27 |
| Firemen | 2.74 | 2.94 | 7.30 |
| Conductors | 3.91 | 4.16 | 6.65 |
| Other trainmen | 2.69 | 2.88 | 7.06 |
| Machinists | 3.08 | 3.14 | 1.95 |
| Carpenters | 2.51 | 2.54 | 1.16 |
| Other shopmen | 2.18 | 2.24 | 2.75 |
| Section foremen | 1.99 | 2.07 | 4.02 |
| Other trackmen | 1.47 | 1.50 | 2.04 |
| Switch tenders, crossing tenders, and watchmen | 1.69 | 1.74 | 2.95 |
| Telegraph operators and dispatchers | 2.33 | 2.44 | 4.72 |
| Employees—accounting floating equipment | 2.22 | 2.34 | 5.41 |
| All other employees and laborers | 2.01 | 2.08 | 3.48 |

| | 1910 | 1911 | Percentage of increase, 1910–11. |
|---|---|---|---|
| Total compensation paid railroad employees | $1,143,725,306 | $1,208,466,470 | 5.66 |

For increased percentage of average wages paid same classes of employees for the year 1910 over 1901, see preliminary report, p. 23.

Recently differences between eastern railroads and their conductors and trainmen as to wages paid were submitted to arbitration, with the result, as stated in a Washington newspaper, that the protesting employees were declared entitled to receive an increase of 7 per cent, amounting in round numbers to $6,000,000 to be expended by the railroad companies concerned on that account. In this connection the Washington Times, in its issue of October 25, editorially says:

> But if the railroad wage earner must live, the railroad employing him must live, or it can't go on paying him so that he can live. And the railroad's showing is only typical of the higher cost of living of all business.

The same statistical report of the Interstate Commerce Commission, page 63, shows there was a 4½ per cent increase in taxes paid by the railroad companies for the year 1911 over 1910. (For increased per cent for years 1900 to 1910, see preliminary report, p. 23.)

In an article appearing in Leslie's Weekly of August 21, 1913, Mr. Elliott, president of the New York, New Haven & Hartford Railroad Co., is quoted as saying that out of every dollar collected by the railroads of the country in 1912 "there had to be paid out 91.41 cents for those things that were absolutely necessary for maintaining and operating the property, paying taxes and interest, leaving only the small balance of 8.59 cents for improvements and dividends." These expenditures he distributes as follows:

| | Cents. |
|---|---|
| Labor direct | 44.17 |
| Fuel and oil, 70 per cent labor | 8.93 |
| Material, supplies, and miscellaneous expenses | 14.06 |
| Loss and damages | 2.20 |
| Taxes | 4.21 |

| | Cents. |
|---|---|
| Rents for leased roads | 4.41 |
| Interest on debt | 13.43 |
| Total | 91.41 |
| Balance | 8.59 |
| | 100.00 |

Of the 8.59 cents balance, he states that "3.75 cents were for betterments and deficits and 4.84 cents for dividends."

The eastern railroads are now before the Interstate Commerce Commission asking for a 5 per cent increase in freight rates on the plea that their expenditures are increasing faster in proportion than their gross revenue. In this connection the Washington Herald, in its issue of November 7, says editorially:

> The Interstate Commerce Commission should be sure it is fair and equitable and just with the railroads as well as with the shippers. The Nation needs prosperous railroads, safe roadbeds, and good accommodations for passengers and freight as well.

And in the same connection the Washington Times, on November 21, editorially says:

> Now, it is not to be declared that good American railroads, properly capitalized, equipped, managed, and operated are being ruined; they are not yet near ruination. Nevertheless the railroads can't forever go on multiplying service and business but diminishing the profits without trouble. No business could. * * *
>
> But the public must have adequate transportation service. If railway revenues are to go on being eaten up by dearer labor, dearer fuel, dearer supplies, it is only a question of time till there won't be left any revenues to go into the improvements of existing facilities and creation of new ones. * * *
>
> It is idle, however, to talk about a suspension of railroad construction and deterioration of railway service. Those things will not be permitted. There must be adequate railways to do the business of this country, and their service must always be getting better and better. If the railway corporations can not for any reason whatsoever give these results—more imperative to-day than they ever were before and to become still more imperative in the future than they are now—then the State will have to give them.
>
> But do the American people want the State to undertake this work? Certainly they do not. Not now, whatever may be their attitude in the future. But the State will have to take the railroads, and the American people will have to grin and bear that transfer, if the average railroad is not able to earn enough money to stay in the game, as first-class American railroads always have been in the game.

It would seem, therefore, that any theory of rate making advanced which would deny to the railroads of this country a reasonable profit for the mail-transportation service (their revenue from this source being now, as stated in the statistical report of the Interstate Commerce Commission for the year ending June 30, 1911, only 1.82 per cent of the total operating revenue) would result in a drain on other classes of transportation service and strengthen the plea now being made for higher freight rates.

The writer can not, therefore, but agree with a statement made by Mr. H. E. Mack, mail traffic manager of the Missouri Pacific Railway Co., which is as follows:

> I think mail should pay its proportion of revenue, as the very highest quality of service is required. I think that is absolutely sound doctrine. I can not agree in the idea that the railroads should perform mail service for less. We are not here considering a question of a new incorporation or franchise condi-

tions. The whole fabric of rates is based on the theory that the mail will pay its proportion. Freight rates are not made higher or the passenger rates higher because the mails should be carried for nothing or for less than cost, or for less than relative earnings, and it seems to me it is not just to attempt to get mail service at less than relative revenue and then throw the burden upon the individual passenger or upon the shipper of freight to make up that deficiency. (Vol. 5, pp. 662–663.)

RECOMMENDATIONS.

As already indicated in this memorandum, it is not believed that the present system of pay, even if continued with the modifications suggested by the railroads, would be any more satisfactory to the Post Office Department or the railroads in the future than it has in the past. It is believed that a cost plan is the ideal one, as cost can not but be the most accurate and fairest guide to reach a determination as to what is or is not a reasonable compensation to be paid the railroads for carrying the mails. If such a plan were adopted it should take into consideration a return on the capital necessarily employed as well as a return on the actual cost of operation. Cost in a strict sense must comprehend both capital employed and actual cost of operation. These represent the investment. The railroads are therefore clearly entitled to a fair return on their investment. To disassociate the two, namely, capital and operating cost, and to allow a return only on the latter, as first proposed by the Post Office Department, can only be regarded as a denial to the railroads of the country of that protection afforded by that provision of the Constitution of the United States which says that "private property" shall not be "taken for public use without just compensation." It is believed that a system of cost accounting can and will be evolved on which to predicate what is a fair and reasonable remuneration to be paid the railroads for carrying the mails. There is a disposition to reiterate that if the railroads had made the same effort to ascertain the cost of, as above defined, as they have to demonstrate underpayment for the services performed by them, which the law and regulations of the Post Office Department state with particularity, the ascertainment would now be available. Inasmuch as that has not been done, and awaiting such an ascertainment by the Interstate Commerce Commission to be hereafter recommended, and believing that the railroads' objections to space are not insuperable, it is suggested:

(1) That Congress repeal the law of 1873 and the subsequent amendments thereto so far as the rates for weight and railway post-office cars are concerned and substitute therefor a space basis as outlined in the "four unit" or "Lloyd" plan, fully described on pages 930 to 935, inclusive, continuing in effect such laws and post-office regulations not inconsistent therewith.

(2) Inasmuch as the plan proposed adopts 4 units and the compensation to be paid for each is measured by the average passenger-car-mile earnings for the whole country, and the per car-foot-mile unit in mills ascertained by dividing a standard car of 60 feet in length into the average passenger-car-mile earning, it is suggested that the Lloyd plan be modified so as to direct the Interstate Commerce Commission to ascertain and report to the Post Office Department each year such average passenger-car earnings and at such time

as will enable that department to make estimates for submission to Congress of the amount of appropriations that will be necessary for the next ensuing fiscal year.

(3) That 25 cents per passenger-car mile be adopted as the basis of pay for the fiscal year ending June 30, 1915, and thereafter such figure as the Interstate Commerce Commission may ascertain and report to the Post Office Department as the average passenger-car-mile revenue.

(4) No opinion is expressed as to the closed-pouch service. It is probable, however, that a specific and definite rate as well as a higher car-foot-mile rate will have to be fixed for this service in order that same may be compensatory. Mr. Lorenz has recommended and discusses a rate to apply to this service, which a reference to his report will disclose.

(5) It is further suggested that the railroads be required to carry the mail when offered.

As the main features of the plan have already been fully discussed, it will not be necessary to further refer to them here.

Simultaneously with the enactment of the proposed law just described, Congress should direct the Interstate Commerce Commission to immediately proceed to make an ascertainment of the cost to the railroads for carrying the United States mails along the lines pursued by the Post Office Department in Document No. 105, due regard being had to subsequent modifications made by it as stated in the preliminary report, pages 96 to 111, or in such manner as may be best calculated to bring about a correct cost ascertainment, due consideration being also given in the determination of such cost to a fair return on that proportion of capitalization which can be fairly accredited to the mail service.

The commission should be empowered to call upon and the post office required to furnish all data that it may have in its possession that may be deemed necessary by the former to reach a proper conclusion; also authorized to call upon the railroads to furnish such information as it may deem necessary and in such manner and form as may be prescribed.

The commission should be directed to make its report to Congress on or before January 1, 1916, making specific recommendations with reference to side and terminal service and with reference to free transportation of Government employees.

If the ascertainment reported to Congress was satisfactory, then Congress, in view of its familiarity with the plan proposed in Document No. 105, would have no difficulty in constructing a bill to meet the changes recommended by the Interstate Commerce Commission, same to remain in effect for a period of two years. The Interstate Commerce Commission would have formulated a method of making the ascertainment with which the railroads would be familiar, thus making it comparatively easy to bring up to date its initial ascertainment. Its second and subsequent ascertainments would be reported to the Post Office Department instead of to Congress in order that it may be made the basis for its estimate to be transmitted to Congress and a guide as to how to distribute the amount appropriated by Congress among the railroads for the next ensuing two years.

Under this plan the railroads should also be required to carry the mail. Both the Post Office Department and the railroads should be entitled to appear before the Interstate Commerce Commission to insist upon or protest against the ascertainment as made. The time for such appearances should be so arranged in order that the ascertainment might be ready for Congress at the time customary for it to receive through the Treasury Department the various departmental estimates. The Post Office Department and the railroads could just as well protect themselves by presentations made in the interim between the biennial periods and then by appeal to the courts, if that procedure were deemed by either to be necessary or desirable.

No attempt is here made to present a bill stating in detail all the provisions necessary to make either of the two proposed plans workable and effective. The Lloyd plan is believed to be an improvement over the present law. If a proper cost ascertainment can be made, this, it is believed, would be the more desirable. The Lorenz plan has not been studied sufficiently to make any recommendation with regard to it. The writer has adopted the course he believes that it has been desired he should pursue and has worked independently of Mr. Lorenz as Mr. Lorenz has worked independently of him. It is for this reason that Mr. Lorenz's plan has only been casually refered to, and such reference that has been made to it in this memorandum has been based only upon a page and a half memorandum he submitted to the writer almost at the very inception of our respective investigations of the subject matter hereof.

Respectfully submitted.

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TRANSPORTATION RATES, ETC., FOR GOVERNMENT-OWNED CARS.

Under date of December 8 the chairman of the joint committee addressed a letter each to Hon. Hugh M. Smith, Commissioner Bureau of Fisheries; Hon. S. W. Stratton, Bureau of Standards; and Hon. J. A. Holmes, Director Bureau of Mines, requesting for the use of the joint committee information upon above heading, which letter reads as follows:

DEAR SIR: For the information of the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, will you kindly furnish me at your earliest convenience with the following data:

(1) Number, weight, length, and material of your fish (or department) cars (as the case may be) owned by the Government.

(2) Rates at which the Government pays the railroads for hauling said cars on estimated car-mile basis.

(3) Whether the car-mile payment includes attendants on car; if not, what method the Government has for paying for attendants.

On receipt of this letter will you kindly call up Branch 891 Capitol and notify Mr. Turner, secretary of this committee, as to when I may expect your written reply to the letter.

Yours very truly. JONATHAN BOURNE, Jr., *Chairman.*

To this communication the Government officials above referred to replied, respectively, as follows:

DEPARTMENT OF COMMERCE,
BUREAU OF FISHERIES,
*Washington, December 9, 1913.*

Hon. JONATHAN BOURNE, JR.,
*United States Senate, Washington, D. C.*

DEAR SIR: In reply to your letter of December 8, asking for certain information relative to the fish transportation cars of this bureau for the use of the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, I beg to advise you as follows:

(1) The Bureau of Fisheries operates five wooden cars, weighing approximately 100,000 pounds each. They have a body length of 60 feet and are 68 feet from buffer to buffer.

The bureau is about to construct two steel cars, which were authorized in the sundry civil bill for 1914, to take the place of two of the above, which will weigh about 150,000 pounds each and will be of the same dimensions as the present wooden cars. In the estimates submitted for the coming fiscal year there is an item providing for four more steel cars as, owing to present railroad conditions, it is highly desirable to discontinue entirely the use of wooden cars.

(2) Each railroad establishes its own rate for hauling the bureau's cars and the rates vary greatly, as shown by the list inclosed herewith. Generally speaking, however, the railroads east of the Mississippi River charge 20 cents per mile, while west of the Mississippi, where the hauls are longer, the prevailing rate is 10 cents per mile. It is believed that most railroad companies realize the value of having the waters contiguous to their lines stocked with fish and have granted the bureau comparatively low rates. In Colorado and Michigan free transportation for the bureau's cars and messengers is usually furnished.

(3) The mileage payment includes five attendants for each car. In Texas, however, there is a rate of 15 cents per mile for a car and crew of four men, the car being returned to the initial point of departure.

Very truly yours,

E. LESTER JONES,
*Acting Commissioner.*

*Rates for hauling Bureau of Fisheries cars.*

| Name of railroad. | Rate. | Remarks. |
|---|---|---|
| Ann Arbor R. R | 20 cents per mile | |
| Atchison, Topeka & Santa Fe | 10 cents per mile | |
| Atlanta & West Point | 20 cents per mile | Minimum, $10. |
| Atlanta, Birmingham & Atlantic | do | Do. |
| Atlantic Coast Line | do | Do. |
| Baltimore & Ohio R. R | do | Do. |
| Baltimore & Ohio Southwestern R. R | do | Minimum, $15. |
| Bangor & Aroostook R. R | Intrastate, 10 cents per mile; interstate, 20 cents per mile. | Do. |
| Bloomsburg & Sullivan | 25 cents per mile | |
| Blue Ridge Ry | 20 cents per mile | Minimum, $10. |
| Boston & Albany | 18 regular fares | Minimum, $25. |
| Boston & Maine R. R | 20 cents per mile, except in New Hampshire, where fares are also charged for men. | Minimum $15. |
| Carolina, Clinchfield & Ohio | 20 cents per mile | Minimum $10. |
| Central of Georgia Ry | do | Do. |
| Central Passenger Association, Chicago, Ill | do | Do. |
| Chesapeake & Ohio Ry | do | |
| Central R. R. of New Jersey | do | |
| Central Vermont | 25 cents per mile and fares for crew. | Minimum $12. |
| Charleston & Western Carolina | 20 cents per mile | Minimum $10. |
| Chicago & Eastern Illinois | do | |
| Chicago & North Western | 10 cents per mile and fares for men. | Car free when fish are planted along line of railroad. |
| Chicago, Burlington & Quincy | 10 cents per mile, unless fares of occupants amounts to more. | |
| Chicago Great Western | 10 cents per mile | Fares for men over Dubuque bridge |

*Rates for hauling Bureau of Fisheries cars*—Continued.

| Name of railroad. | Rate. | Remarks. |
|---|---|---|
| Chicago, Indianapolis & Louisville | 20 cents per mile | |
| Chicago, Milwaukee & St. Paul | 10 cents per mile and fare for each man. | Car free when fish are planted along line of railroad. |
| Chicago, Peoria & St. Louis | 20 cents per mile | |
| Chicago, Rock Island & Gulf | 10 cents per mile. In Texas, 15 cents per mile for car and 4 men; return free. | Minimum $10. |
| Chicago, Rock Island & Pacific | 10 cents per mile | Do. |
| Chicago, St Paul, Minneapolis & Omaha | Car free; full fare for men | |
| Cumberland Valley | 20 cents per mile | |
| Cincinnati, Hamilton & Dayton R. R | do | |
| Cleveland, Cincinnati, Chicago & St. Louis | do | |
| Colorado & Southern | 10 cents per mile | |
| Colorado Midland Ry | do | |
| Coudersport & Port Allegheny | 20 cents per mile | |
| Delaware & Hudson Co | do | Minimum, $15; car and crew free when fish are planted along line of railroad. |
| Delaware, Lackawanna & Western | do | |
| Denver & Rio Grande | 10 cents per mile | |
| Detroit & Mackinac | Free | |
| Coal & Coke Co | do | |
| Duluth, South Shore & Atlantic | 20 cents per mile | |
| El Paso & North Eastern and El Paso & South Western. | Free | |
| Erie Railroad | 20 cents per mile | |
| Evansville & Terre Haute | do | |
| Fort Worth & Denver City | 15 cents per mile in Texas., car and 4 men; return free. | Minimum, $10. |
| Florida East Coast | 20 cents per mile | |
| Fort Worth & Rio Grande | 15 cents per mile for car and 4 men; return free. | Do. |
| Galveston, Harrisonburg & San Antonio | do | Do. |
| Georgia, Florida & Alabama | 20 cents per mile | Do. |
| Georgetown & Western | | Minimum, $25. |
| Georgia Northern Ry | 20 cents per mile | Minimum, $10. |
| Georgia R. R | do | Do. |
| Georgia Southern Florida | do | Do. |
| Grand Rapids & Indiana Ry | Car free; fare for men | |
| Grand Trunk | 20 cents per mile | |
| Great Northern | do | 10 cents per mile when fish planted along line of railroad. |
| GreenBay & Western | do | |
| Gulf, Colorado & Santa Fee | 10 cents per mile; in Texas, 15 cents per mile for car and 4 men; return free. | Minimum, $10. |
| Gulf & Ship Island R. R | 20 cents per mile | Minimum, $20. |
| Hocking Valley Ry | do | |
| Houston & Texas Central | 15 cents per mile for car and 4 messengers; return free. | Minimum, $10. |
| Houston East & West Texas | 15 cents per mile for car and 4 men; return free. | Do. |
| Huntingdon & Broad Top | 20 cents per mile | Minimum, $15. |
| Illinois Central | 10 cents per mile north of Ohio River; 20 cents per mile south of Ohio River. | Minimum, $10. |
| International & Great Northern | 15 cents per mile for car and 4 men; return free. | Do. |
| Iron Mountain & Greenbrier Ry | $4 round trip | Switching from depot to siding near hatchery. |
| Kansas City, Mexico & Orient Ry. Co. of Texas. | 15 cents per mile, car and 4 men; return free. | Minimum, $10. |
| Kansas City Southern | 10 cents per mile | |
| Lake Erie & Western | 20 cents per mile | |
| Lake Shore & Michigan Southern | do | |
| Lehigh Valley Ry | | Do. |
| Little Kanawha R. R | 20 cents per mile | |
| Louisville, Hendersonville & St. Louis | do | Do. |
| Louisville & Nashville | do | Minimum, 10; bridge at Hendersonville, Ky., $4. |
| Macon & Birmingham | do | Minimum, $10. |
| Macon, Dublin & Savannah Ry | do | Do. |
| Maine Central Ry | Interstate, 20 cents per mile; intrastate, 10 cents per mile. | Minimum, $15. |
| Manchester & Oneida Ry | 20 cents per mile | |
| Manistique Ry | Free | |
| Maricopa & Phoenix R. R. and Salt River Valley R. R. | 30 cents per mile and fare for men. | |
| Michigan Central R. R | 20 cents per mile | Minimum, $15. |
| Minneapolis & St. Louis | 10 cents per mile | Free when fish are planted along line of railroad. |

*Rates for hauling Bureau of Fisheries cars*—Continued.

| Name of railroad. | Rate. | Remarks. |
|---|---|---|
| Minneapolis, St. Paul & Sault Ste. Marie | 10 fares when fish are not planted along line. | 5 fares when fish are planted along line of railroad. |
| Missouri, Kansas & Texas | 15 cents per mile for car and 4 men; return free. | Minimum, $10. |
| Missouri Pacific Ry | 7½ cents per mile | Do. |
| Mobile & Ohio | 20 cents per mile | Do. |
| Montana R. R | Free | |
| Nashville, Chattanooga & St. Louis | 20 cents per mile | Do. |
| New York Central & Hudson River R. R | 18 full fares | Minimum, $15. |
| New York, New Haven & Hartford | 20 cents per mile | |
| Norfolk & Southern | do | Minimum, $10. |
| Norfolk & Western | do | Do. |
| Northern Pacific Ry | do | Switching charges at Omaha from union depot to Chicago, Burlington & Quincy, $3. |
| Oregon Railway & Navigation Co | 20 cents per mile | Free when fish are planted along line of railroad. |
| Oregon Short Line | do | Do. |
| Pennsylvania Co | do | Minimum, $15. |
| Pennsylvania Railroad | do | Do. |
| Pere Marquette R. R | do | Free when fish are planted along line of railroad or in Michigan. |
| Philadelphia & Reading | 25 cents per mile | Minimum, $15. |
| Queen & Crescent | 20 cents per mile | Minimum, $10. |
| Quincy, Omaha & Kansas City R. R | 25 cents per mile and fare for men. | |
| Richmond, Fredericksburg & Potomac R. R | 20 cents per mile | Do. |
| San Antonio & Aransas Pass | 15 cents per mile, car and 4 men; return free. | Do. |
| Seaboard Air Line | 20 cents per mile | Do. |
| Rutland R. R | 25 cents per mile | Minimum, $15. |
| Southern Indiana | 20 cents per mile | |
| Southern Pacific, Atlantic System, Pacific System. | do | |
| Southern Ry | do | Minimum, $10. |
| Southern Ry. in Mississippi | do | Do. |
| St. Louis & San Francisco | 20 cents per mile east of Mississippi River; fares for men west of Mississippi River, except in State of Missouri, where regular tariff fare is charged for movements wholly within Missouri. | Do. |
| St. Louis, San Francisco Ry. of Texas | 15 cents per mile, car and 4 men; return free. | |
| Texas Midland Ry | do | Do |
| St. Louis & Southwestern | Free in Texas, 15 cents per mile, car and 4 men; return free. | |
| St. Louis, Brownville & Mexico | 15 cents per mile, car and 4 men; return free. | |
| Tallulah Falls Ry | Car free; fares for men | |
| Terminal R. R. Assn. of St. Louis | | Bridge toll, $4. |
| Texas Central | 15 cents per mile, car and 4 men; return free. | Minimum $10. |
| Texas & Pacific | do | Do. |
| Texas & New Orleans | do | Do. |
| Toledo, St. Louis & Western | 20 cents per mile | |
| Trinity & Brazos Valley | 15 cents per mile, car and 4 men; return free. | Do. |
| Union Pacific Ry | 20 cents per mile | |
| Vandalia line | do | Minimum, $15. |
| Virginia-Carolina Ry. Co | do | Minimum, $10. |
| Virginia & Southwestern | do | Do. |
| Wabash R. R | do | Do. |
| Washington Southern | do | Do. |
| Western & Atlantic Ry | do | Do. |
| Western Maryland R. R | do | |
| Western Ry. of Alabama | do | Do. |
| Wheeling & Lake Erie | do | |
| Wichita Valley | 15 cents per mile, car and 4 men; return free. | Do. |
| Wrightsville & Tennille | 20 cents per mile | Do. |
| Yazoo & Mississippi Valley R. R | do | Do. |

DEPARTMENT OF COMMERCE,
BUREAU OF STANDARDS,
*Washington, December 9, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, United States Senate, Washington, D. C.*

DEAR SIR: In reply to your letter of the 8th instant asking for information in regard to car or cars belonging to this bureau, we have to give the following information in answer to your several inquiries in the order asked:

1. Number of cars, 1; weight empty, 49,800 pounds; loaded, 173,000 pounds; length, 40 feet 5 inches; material, steel and wood.

2. No charges have yet been paid by the bureau for the transportation of this car, although several bills have been rendered on the basis of 8 cents per mile for moving the car, and also a bill from the New York, Susquehanna & Western Railroad for two short movements of the car at $25 per movement; the latter charges being for moving the car from one railroad scale to another in the vicinity of New York where a number of scales were tested for the customs service. The whole question of tariff for moving the car belonging to this bureau is now being considered by the American Railway Association, and none of the bills submitted will be paid until the negotiations with the American Railway Association have been concluded. At the present time they are considering a proposition of moving the car between certain points in each State free of charge, and then charge 10 cents per mile for movement within the several States.

3. The regular passenger rates have been paid for the three employees of the bureau who operate the car. The attendants themselves are paid from the special appropriation of $25,000 available July 1, 1913, for the purchase and operation of this car.

The car referred to above was devised for the purpose of testing railroad track scales and usually carries eight 10,000-pound weights and sufficient other weights to make up 100,000 pounds in all, and also a six-wheeled truck for carrying the standard weights during the tests. The car is also equipped with an electrically operated special crane for handling the heavy weights and truck.

If there is any additional information that you desire concerning this equipment we would be very glad to furnish it by letter, or, if you prefer it, by sending someone to see you who can explain in detail the object of the equipment and its design.

Respectfully,

S. W. STRATTON,
*Director.*

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DEPARTMENT OF THE INTERIOR,
BUREAU OF MINES,
OFFICE OF THE DIRECTOR,
*Washington, December 9, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*United States Senate.*

MY DEAR SENATOR BOURNE: In reply to your inquiry concerning the mine-rescue cars owned and operated by the Bureau of Mines, under the Department of the Interior, I respectfully submit the following:

(1) The Bureau of Mines owns eight standard Pullman cars of the old wooden type, which have been remodeled to meet the needs of the bureau and to comply with the regulations of the railroad companies.

(2) All the railroads in the United States with whom the question of transportation has been taken up have furnished free transportation to the Bureau of Mines cars in case of mine disasters, and with a few exceptions have furnished free transportation for the cars while engaged in educational and training work.

(3) Four employees of the bureau—a mining engineer, a foreman miner, a first-aid miner, and a cook (the latter also acts as porter)—are on these cars. These employees are paid by the Bureau of Mines.

Should you desire a more detailed reply to your inquiries, furnishing the weight, length, etc., of the cars and the names of the railroads furnishing free

transportation, and of those who do not, I will be glad to compile this data for you and furnish it by the 11th instant.

Respectfully,

J. A. HOLMES,
*Director.*

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DECEMBER 9, 1913.

Hon. J. A. HOLMES,
*Director Bureau of Mines, Washington, D. C.*

MY DEAR MR. HOLMES: I desire to acknowledge and thank you for your communication of this morning, transmitted by special messenger, in response to my letter to you of yesterday relative to your department cars owned by the Government.

I shall be pleased to receive the data referred to in the concluding paragraph of your letter, which you have so kindly offered to compile and submit on the 11th instant.

Yours very truly,

JONATHAN BOURNE, Jr.,
*Chairman.*

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DEPARTMENT OF THE INTERIOR,
BUREAU OF MINES,
*Washington, December 11, 1913.*

Hon. JONATHAN BOURNE, Jr.,
*United States Senate.*

MY DEAR SENATOR BOURNE: In further reply to your letter of December 8, requesting certain information relative to the mine-rescue cars operated by the Bureau of Mines, attached hereto you will find the following data:

(1) Names of railroads granting free haul;
(2) Names of railroads charging for car haul;
(3) Number, weight, length, and material of cars;
(4) Rates paid for haul of car and whether it includes attendants.

Hoping you will find that this information answers your inquiries completely and satisfactorily, I am,

Respectfully,

J. A. HOLMES,
*Director.*

*Railroads granting free haul to Bureau of Mines cars, including four attendants.*[1]

[Calendar year 1913.]

Arkansas Central Railroad.
Atchison, Topeka & Santa Fe Railway Co.
Alabama Great Southern.
Bellefonte Central Railroad Co.
Bessemer & Lake Erie Railroad.
Buffalo, Rochester & Pittsburgh.
Buffalo & Susquehanna.
Butte, Anaconda & Pacific.
Canon City & Cripple Creek.
Carolina, Clinchfield & Ohio Railway.
Chesapeake & Ohio.
Chicago, Burlington & Quincy.
Chicago & North Western.
Chicago & Eastern Illinois.
Chicago, Milwaukee & Puget Sound.
Santa Fe, Raton & Eastern Railroad.
Chicago, Milwaukee & St. Paul.
Chicago, Terre Haute & Southeastern.
Central Railroad of New Jersey.
Cincinnati, New Orleans & Texas Pacific.
Cincinnati Southern Railway.
Colorado Midland.
Colorado Springs & Cripple Creek.
Coal & Coke Railway Co.

[1]All other than four regular attendants to pay regular fares.

Colorado & Southern Railway Co.
Colorado & Wyoming Railway Co.
Columbia & Puget Sound Railroad.
Copper Range Railroad Co.
Cumberland & Pennsylvania Railroad Co.
Delaware & Hudson Co.
Delaware, Lackawanna & Western Railroad.
Detroit, Toledo & Ironton.
Duluth & Iron Range Railroad Co.
Duluth, Missabe & Northern Railway Co.
Duluth, South Shore & Atlantic.
El Paso & Southwestern System.
Erie Railroad.
Florence & Cripple Creek Railroad Co.
Fort Smith & Western Railroad.
Golden Circle Railroad.
Great Northern Railroad.
Hocking Valley Railway Co.
Iowa Central.
Kanawha & Michigan.
Kansas City, Mexico & Orient Railway.
Kansas City Southern Railway Co.
Lackawanna & Wyoming Valley Railroad.
Lake Superior & Ishpeming Railway Co.
Lehigh Valley Railroad Co.
Louisville, Henderson & St. Louis.
Louisville & Nashville Railroad Co.
Midland Terminal Railway Co.
Midland Valley Railroad.
Mineral Range Railroad Co.
Mississippi River & Bonne Terre Railway .
Missouri & North Arkansas Railroad.
Missouri, Oklahoma & Gulf Railway.
Mobile & Ohio.
Montana, Wyoming & Southern.
Munising, Marquette & Southeastern.
Nashville, Chattanooga & St. Louis.
New York, Ontario & Western.
Northern Pacific Railroad.
Norfolk & Western Railway Co.
Oregon-Washington Railroad & Navigation Co.
Philadelphia & Reading.
Pittsburgh, Shawmut & Northern.
Queen & Crescent Route.
Quincy, Omaha & Kansas City.
St. Louis & San Francisco.
St. Louis, El Reno & Western.
St. Louis, Rocky Mountain & Pacific.
Salt Lake Route.
San Pedro, Los Angeles & Salt Lake.
Southern Railway in Mississippi.
Tacoma Eastern Railroad.
Tennessee Central Railroad.
Toledo, Peoria & Western.
Western Maryland.
Western Pacific Railway Co.
Wheeling & Lake Erie.
Evansville & Terre Haute Railroad Co.
Minneapolis & St. Louis Railroad Co.
Minneapolis, St. Paul & Sault Ste Marie Railway Co. (over Gogebic & Cuyuna Range only).
Missouri, Kansas & Texas Railway System.
Southern Railway.
Southern Indiana Railway Co.
Union Pacific.
Missouri Pacific.

*Railroads with whom special arrangements have been made for hauling Bureau of Mines cars with their four regular attendants.*

Central of Georgia Railway Co.—Free in case of disaster. Other moves, car free but attendants to pay regular fare.

Chicago Great Western Railroad Co.—They would not issue pass, but stated would decide each case on its merits.

Chicago, Indianapolis & Louisville Railway Co.—Free in case of disaster.

Chicago, Rock Island & Pacific Railway Co.—Free in case of disaster; otherwise, tariff rates. Will give special consideration to other moves.

Baltimore & Ohio.—Free in case of disaster; otherwise, for 25 party fares, minimum charge of $25.

Pennsylvania Railroad system.—Free in case of disaster; otherwise, for 25 party fares, minimum charge of $25.

Illinois Central Railroad Co.—Free in case of disaster; otherwise, tariff rate (18 full fares).

New York Central.—Free in case of disaster; otherwise, for 25 party fares, minimum charge of $25.

Wabash Railroad.—Free in case of disaster.

Monongahela Railroad.—Free in case of disaster; otherwise, minimum number of full fares.

Denver & Rio Grande.—Free in case of disaster.

*Railroads that refuse to haul Bureau of Mines rescue cars free of charge even in case of disaster.*

Denver, Northwestern & Pacific Railway Co.
Oregon Short Line.
Southern Utah Railroad Co.
Castle Valley Railroad Co.

*Dimensions of mine-rescue cars.*

| | Car No. | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Length over all, bumper to bumper. | *Ft. in.* 73 7¾ | *Ft. in.* 73 6 | *Ft. in.* 73 4 | *Ft. in.* 73 8 | *Ft. in.* 73 10 | *Ft. in.* 72 6 | *Ft. in.* 63 6 | *Ft. in.* 73 6 |
| Width of car | 9 10¾ | 9 8 | 10 0 | 9 11 | 9 8½ | 10 0 | 10 0 | 9 9 |
| Height of top of car above rail | 14 5¾ | 13 10 | 14 8 | 14 3 | 14 1 | 13 6 | 13 0 | 13 8½ |
| Weight of car (net), tons | ..... | [1] 50 | ..... | 48.35 | 40 | ..... | ..... | ..... |
| Weight of car (loaded)—tons | 46.7 | [1] 54 | 46.5 | 51.00 | 50 | 49.9 | 43.95 | ..... |

[1] Estimated.

The cars are all of wood other than the running gear and underpart of the floor.

## A Railway-Mail Pay Plan Stated in the Form of a Bill and Constructed on a Space Basis.

Under date of October 3, 1913, Hon. John H. Bankhead referred to the joint committee a letter addressed to him, dated September 30, 1913, from Hon. Stanley E. Bowdle, together with a "Railway mail pay plan" attached, which letter and plan are herewith submitted for the record, reading, respectively, as follows:

House of Representatives, *Washington.*

Hon. J. H. Bankhead,
*Chairman Committee on Post Offices and Post Roads,*
*United States Senate.*

Dear Sir: I am inclosing a "Railway mail pay plan" of Mr. Fernando C. Hall, of 5 Le Roy Court, Cincinnati, Ohio, which he claims will effect a saving to

the Post Office Department the expense of weighing mails, the terminal expense at St. Louis, a large part of the expense of shipping mails by freight, as there are days when the mails are light, and some of the supplies and blue-tag matter could be carried in the postal cars without additional expense.

The rate is the average earnings for each foot of length of authorized space, for postal service on 2,411 mail routes representing over 178,000 miles of trackage.

Trusting you will give this matter your high consideration, I am

Yours, very truly,

S. E. BOWDLE.

September 30, 1913.

## RAILWAY MAIL PAY PLAN.

F. C. HALL.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Postmaster General shall readjust the pay to companies operating railroads, for the transportation and handling the mails, and furnishing the facilities connected therewith, not less frequently than once each fiscal year, commencing July first, nineteen hundred and fourteen, at a rate of pay per annum, payable quarterly of three and twenty-three hundredths mills per car-foot mile, which shall consist of twelve inches linear measure of the length of the space authorized in the car for the transportation and handling of the mails, without regard to height or width thereof, for each mile traveled.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on condition that the mail should be transported over their roads at such a price as Congress may direct, shall receive eighty per cent of the foregoing rate, for the service performed over said land-grant trackage.

Adjustments shall be made by accounting systems of roads, and the compensation for the term shall be stated for all service covered by each system or road.

The routes for a system or road may be stated for administrative purposes in such a manner as the Postmaster General may determine.

He may order service over new or additional trackage or additional service on any railroad or system at any time he may deem necessary. Payment therefor to be made from the date of beginning of such service at the rate and in the manner provided for by this act. Service over property owned or controlled by a terminal company shall be considered service of the roads or systems using such property and not that of the terminal company.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mail and place them for advance distribution as directed by the supervising officer of the Railway Mail Service. They shall provide side, terminal, and direct transfer service, and all station and depot space and rooms for handling, distribution, and transfer of mails en route, and for offices and rooms for employees of the postal service engaged in such transportation when ordered by the Postmaster General.

Any railroad company shall carry mails on any train it operates and without extra charge therefor the persons in charge of the mails when on duty and traveling to and from duty, all duly accredited agents and officers of the Post Office Department and the postal service while traveling on official business, upon the exhibition of their credentials.

All cars or parts of cars used for the Railway Mail Service shall be of such construction, style, length, and character and furnished and equipped in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No payment shall be made for service by any railway post-office car which is not sound in material and construction and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay for service shall be allowed for the operation of any wooden railway post-office car, unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for any wooden railway post-office car run in any train between adjoining steel or

steel underframe cars or between an engine and steel or steel underframe car adjoining. No pay shall be allowed for any car or part of car used in the Railway Mail Service which is not constructed entirely of steel after July first nineteen hundred and sixteen; and all cars accepted for this service and contracted for by the railroad companies after the passage of this act shall be constructed of steel. The Postmaster General shall make deductions from the pay of the railroad companies on the basis of the value of the service computed on a car-foot-mile basis in all cases where the cars do not comply with the provisions of this act.

The Postmaster General shall authorize the amount of space on each train on each railroad or system necessary for the transportation and distribution of the mails, and for the purpose of determining the amount of space he shall direct the division superintendents of the Railway Mail Service to have such measurements taken. *Provided*, That no payment shall be made for any unauthorized space or service unless the same shall be emergency service or when the volume of mail is too great to be contained in the authorized space, and the same is of necessity put in a baggage car; in such case the clerk in charge will see that the same is piled across the end of the car in as small space as possible and make a special report of the number of linear feet and mileage necessary to his division superintendent, who will certify the same to the general superintendent and he to the Second Assistant Postmaster General for credit and allowance at the car-foot-mile rate.

Space for the transportation of mails on trains other than trains on which Railway Mail Service is maintained shall be authorized in the same manner, provided that where the amount of mail is small and the space authorized is half in width of car the pay for such space shall be at one-half the car-foot-mile rate. No additional payment shall be made when mail can not be delivered from a railway post-office train and the same is of necessity put off at an intermediate point to go forward on another train for delivery. In case of flood or disaster causing interruption to the regular service the Postmaster General shall authorize the division superintendent of the Railway Mail Service in the district where such emergency exists to establish such emergency service as may be necessary, and the same shall be paid for at the car-foot-mile rate for such time as said service was necessary to the company or system furnishing such service.

No credit shall be given for space in cars devoted to the handling and transportation of the mail unless such space be authorized by the Postmaster General or unless he shall determine its use made necessary by a specific authorization.

In computing the car-foot miles, the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction, provided no payment shall be made for dead-heading cars, for which service is authorized in one direction only.

No payment shall be made to any railroad company or system for service not performed, and deductions shall be made at the car-foot-mile rate for the failure to perform any part of the authorized service.

In case of loss or damage to the mails while in custody of a railroad company or system such company shall reimburse the Post Office Department for the loss or damage so sustained.

If any railroad company shall fail or refuse to provide cars or apartments in cars for the transportation and handling of the mails when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as shall, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates all mailable matter directed to be carried thereon. If any railroad company shall fail or refuse to transport the mails when required by the Postmaster General upon any train or trains it operates, such company shall be fined such amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General is authorized to have the net inside measurements of space taken and to collect such other information by sworn employees of the Post Office Department as he may deem necessary, and to have such information stated and verified to him by such employees under such instructions as he may consider just to the Post Office Department and the railroad companies,

to assist in the ascertainment of space used for the transportation and the handling of the mails on railroads, and to employ such special clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation of mails by railroad.

The provisions of this act shall apply to service operated by railroad companies and partly by steamboats.

It shall be unlawful for any railroad company to refuse to carry the mails at the rate of compensation fixed by law when and for the period required by the Postmaster General to do so, and for every such offense it shall be fined not exceeding $5,000.

If any railroad company shall refuse to carry all mails in the manner prescribed by law, the Postmaster General shall apply for a receiver for such railroad company in any district court in the United States of America, which court shall grant a receiver, who shall operate said railroad in the manner prescribed by law.

It shall be unlawful for any official or employee of any railroad company to in any manner interfere with the handling of the mails prescribed by law, and any person so doing for each offense shall be fined in any sum not exceeding $5,000, or imprisoned not more than five years, or both, at the discretion of the court.

All laws or parts of laws inconsistent herewith are hereby repealed.

## ELECTRIC AND CABLE CAR ROUTES.[1]

The following letter, signed by Mr. M. C. Brush, chairman, and other members of a committee of the American Electric Railway Association, on "Compensation for carrying United States mails," transmitting carbon copy of a communication dated December 11, 1913, signed by them and addressed to Hon. John A. Moon, chairman House Committee on the Post Office and Post Roads, same being responsive to a memorandum prepared by Hon. Joseph Stewart, Second Assistant Postmaster General, and submitted to the Joint Committee to Investigate Second-Class Mail Matter, etc., by the Postmaster General under date of July 25, 1913, in answer to a proposed bill "To equalize pay for mail service on electric and cable car routes," submitted by Mr. Henry S. Lyons on behalf of that association, is presented:

AMERICAN ELECTRIC RAILWAY ASSOCIATION,
*New York, N. Y., December 11, 1913.*

Hon. JONATHAN BOURNE, jr.,
*Washington, D. C.*

DEAR SIR: We beg to attach herewith carbon copy of letter written this day to Hon. John A. Moon, which is self-explanatory, and respectfully submit same to you for such consideration and assistance as you are able and may see fit to give us.

We beg to take this opportunity to thank you for the consideration shown us by you and your committee in the past.

Very respectfully, yours,

M. C. BRUSH,
*Second Vice-President Boston Elevated Railway Co., Boston, Mass.*
*Chairman for the Committee on Compensation for Carrying United States Mail.*

*Members of committee.*—H. A. Nicholl, general manager Union Traction Co. of Indiana, Anderson, Ind.; J. K. Choate, vice president J. G. White Management Corporation, New York, N. Y.; A. R. Piper, general freight agent, Brooklyn Rapid Transit System, Brooklyn, N. Y.; P. N. Jones, general manager Pittsburgh Railways Co., Pittsburgh, Pa.

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[1] For testimony of representatives of electric railway lines, see vol. 1, pp. 140 to 171, of the Hearings on Railway Mail Pay; for bill and memorandum referred to in the text, see vol. 5, pp. 778 to 782, inclusive, of vol. 5 of the Hearings on Railway Mail Pay

DECEMBER 11, 1913.

Hon. JOHN A. MOON, *Chairman,*
*House Committee on Post Offices and Post Roads,*
*United States Capitol, Washington, D. C.*

DEAR SIR: We are advised by Mr. Henry S. Lyons, secretary of the Boston Elevated Railway Co., that in conversation with you and your committee last Friday, December 5, you stated that in the preparation of your report on appropriations for the Post Office Department for the year from July 1, 1914, to June 30, 1915, you would receive and consider briefs from both the company which he represented and from the committee on compensation for carrying United States mail of the American Electric Railway Association, provided these briefs were in your hands on Wednesday, December 10. We further understand that in conversation with you over the phone on Monday, December 8, you advised Mr. Lyons that if the report from the American Association was in your hands by Friday, December 12, it would be as satisfactory as though you had received it on the 10th.

We understand that Mr. Lyons forwarded to you the brief of his company in time for you to have received same on Wednesday, the 10th instant, and immediately after your conversation with Mr. Lyons the committee of the American Association called a meeting, which has been held this day, and respectfully submits the following facts in regard to the lack of commensurate compensation for said companies in carrying United States mail:

We respectfully call to your attention that this committee represents 470 railway companies in the United States, with a total mileage of approximately 34,380 miles, and with a capitalization approximating $3,438,000,000.

In order that you may be informed of the progress of this matter for a considerable period past, we beg to state that for several years a committee representing this association earnestly endeavored, through presentation of facts to the Post Office Department, to convince that department that the electric railway companies performing railway mail service were inadequately compensated.

After earnest and continued effort along these lines, the committee finally, in May, 1912, appeared before your committee and endeavored to make clear to you their position, presenting to you at that time their communication of May 14, 1912, copy of which is attached herewith (Exhibit A).

Shortly after this date, upon the appointment of the special commission for the purpose of investigating compensation for carrying United States mail, the committee representing our association appeared before said commission, of which Senator Bourne was chairman, and presented to them the situation in a manner identical with that which they had presented to you. Discussion at that time appears in "Hearing before Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, Sixty-second Congress, third session," beginning page 140.

At this time Senator Bourne submitted to our committee a copy of a bill prepared by the Post Office Department and requested that we either suggest such changes in this bill as we believed proper from our standpoint or else submit a substitute bill in lieu thereof. We found it impossible to so change the bill submitted as to make it applicable to our position and therefore submitted to Senator Bourne, under date of February, 1913, a bill to equalize pay for mail service on electric and cable car routes. (Hearing before the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, May 14, 1913, No. 5, p. 778.)

The bill submitted by our committee was referred to the Post Office Department, and criticism and comment on same was made by Joseph Stewart, Second Assistant Postmaster General. (Hearing before Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, p. 780. Memorandum for the Postmaster General, Post Office Department, Washington, July 25, 1913.)

In view of this comment by Second Assistant Postmaster General, we beg to submit the following:

INDEPENDENT CAR SERVICE.

First. As to the criticism of Second Assistant Postmaster General Stewart, we desire to state that his criticism is principally that the compensation to the carriers will be increased. As the subject of the bill is to give an increased compensation for carrying United States mail, it apparently has not failed in its purpose. As the present rate for independent cars is 1 cent per linear foot

of inside measure, and as the proposed rate is 1½ cents, the Second Assistant Postmaster General is correct in his conclusion that the cost would be increased 50 per cent, or approximately $198,331.43 per annum, as shown in paragraph 2 of his criticism. Twenty-five per cent additional equipment must be held in reserve to allow for inspection, maintenance, and accident.

Paragraph 16 of the criticism is correct. A minimum mileage of 30,000 per car for each car required to perform the service would undoubtedly in some instances cause a further increase in the cost, but the Second Assistant Postmaster General fails to take into consideration in his criticism two salient features of this independent car service:

(1) (*a*) The carrier, in order to perform the exacting service of the Post Office Department, must keep the equipment in the very best physical condition to avoid failures and delays.

(*b*) Just how the Second Assistant Postmaster General arrives at the conclusion shown in paragraph 4, that "under normal conditions is from 200 to 500 per cent," is not shown. If by normal condition he means the minimum pay condition of seventy-five hundredths of 1 cent, the increase to 1½ cents would be 100 per ecnt, which is somewhat less than 200 to 500 per cent, as stated by him.

(*c*) A right of way must be accorded mail cars over all others.

(*d*) To perform the service efficiently the best class, and therefore the highest-paid class, of operators must be assigned to the mail cars.

Each of these items imposes expenses in excess of the expense incident to the operation of passenger cars—the prime object and duty of the carrier.

(2) The service of carrying mail by electric or cable cars is a substitute in cities and interurban districts for wagon or automobile service. If the carriers discontinue the service by cars, what would have been the increase in cost due to wagon or auto service before the parcel-post law became effective, and what will be the increased cost of wagon service now that the parcel-post law is in effect?

What will be the increase in cost in time and money at the post offices due to the "making up" and pouching at the post offices instead of in the cars while en route?

The cost of wagon transportation as shown by the reports of the Postmaster General is approximately 30 cents per mile (without the facilities for "make up" and "pouching" accorded by car service), while the cost per mile for car service will be for a 16-foot car at 1½-cent rate but 24 cents and for a 20-foot car 30 cents per mile and for the proposed maximum cars, 30-foot, 45 cents. The capacity of a 16-foot car is equal to the largest wagon or automobile, and the 20 and 30 foot cars are proportionately larger.

Detailed data as to the cost of equipment, depreciation, and operation have been furnished the chairman of committee on postage on second-class mail matter and compensation for transportation of mail by the Boston Elevated Railway Co. (see letter of Boston Elevated Railway Co. to Hon. Mr. Moon, Dec. 8, 1913) and the Brooklyn Heights Railroad Co. (Exhibit B), two of the carriers making the greatest mileage and under conditions which should make their operating expense as low, if not lower, than the expenses of smaller carriers. These data show conclusively that the service of the roads is rendered to the United States Government at an actual money loss to the carrier. In these data no account is taken of the liability to loss due to accident to pedestrians and general street traffic. The mail-car schedules are all shorter than the passenger schedules, and therefore require a greater speed and a consequent greater hazard to life and property, followed by a greater money loss in payment of damages.

### POUCH SERVICE.

Second. Paragraph 8 of the criticism of the Second Assistant Postmaster General is a correct statement.

Three pouches (maximum 50 lbs.) are the equivalent of the average passenger, 150 pounds, and the space occupied is somewhat greater. The passenger fare is 5 cents for a varying distance, therefore the compensation is not disproportionate for the service rendered. When the number of mail pouches in a consignment is increased, the carrier performs an increased service, and there should be an increased compensation paid. Business throughout the world is conducted upon this basis.

The facilities afforded the Government in making deliveries by pouch service on passenger cars is of a character that can not readily be obtained by wagon service except at a materially increased expense.

Paragraph 9 of the criticism of the Second Assistant Postmaster General complains that the proposed law is impracticable because the Post Office Department can not tell in advance what its expenses are to be. This, if correct, is unfortunate from the Post Office Department's standpoint, but should not be advanced as a reason for not properly compensating the carriers for the service they render. The Post Office Department used as its yardstick a mile of travel regardless of the bulk or weight. We ask that in using the yardstick of a mile of travel that a limitation of the bulk and weight be necessary for the protection of the carrier, particularly with the increased amount of mail being thrown upon the carrier due to the parcel-post law. There is one road in the far West that at times has such a bulk of mail matter thrown upon it for delivery under the pouch service that passengers can not get on the cars on account of the amount of mail. In several instances on the Brooklyn Heights Railroad the amount of mail matter was so great as to prevent the motorman from properly operating his car, and thereby endangered the lives of every passenger on the car. It would be eminently unfair to expect the carrier to exclude the passengers and operate the car at a rate of 3 cents per mile.

The intention of the bill is that each consignment, i. e., from A to B, A to C, A to D, B to C, B to D, and C to D be paid for at the rate of 5 cents per mile for the first three pouches within the limit of 5 miles; for each mile beyond the 5-mile limit, 3 cents per mile is charged for the consignment of 3 pouches. For each pouch in the consignment over 3 would require 1 cent per mile for its transportation. The word "consignment" can hardly be considered ambiguous, and the definition given in paragraph 10 of the criticism is correct. The pouches sent from A to B are tagged for B and is a consignment from A to B. The pouches sent from A to C are tagged for C, and is a consignment to C, and likewise a shipment from A to D. Knowing the definition of a consignment, the Second Assistant Postmaster General must misunderstand the bill in stating that 9 pouches (consigned in groups of 3 to three individual points) could be construed as a single consignment of 9 pouches.

The use of the word "all" is an error, and should be "each," to avoid possible misinterpretation.

The arguments as to the substitution of wagon service for pouch service on passenger cars is more pertinent than when used in connection with independent car service.

The Post Office Department makes a record of the number of pouches in each consignment of pouches now shipped and by taking up the proposition with the postmasters involved can ascertain the number and destination in this way.

The record of any year can be used as the basis of estimate for the succeeding year.

The suggestion of the Second Assistant Postmaster General in paragraph 14 of his criticism should be followed and a provision providing that substantially the same degree of service is rendered.

Paragraph 16 of the criticism is correct. The word "all" should be changed to "each." The carrier should be remunerated upon the basis of the equipment it is required to use in the service of the Government.

As to paragraph 17 of the criticism, we are surprised to find that the carriers have been imposed upon to the extent of $232,000 in making side deliveries. Certainly a compensation of 3 cents per mile on pouch mail does not pay a carrier if the carriers have to expend $232,000 in side deliveries when the total paid for pouch and independent mail service is but three times this amount.

The proposition of the Post Office Department to pay the carriers on the basis of 6 per cent upon the capital invested is not believed to be a practicable proposition, as it is not believed that the Post Office Department and the carriers could ever agree upon the valuations involved.

We therefore again respectively refer to the report of the committee, dated May 14, 1912, which states very briefly the position of the companies which this committee represents in regard to proper compensation for carrying mail, and which recommends the following rates:

CLOSED POUCH CITY OR SUBURBAN SERVICE.

From one to three pouches (inclusive), maximum weight 50 pounds per pouch, carried on passenger cars: For 2,000 miles or less, $150 per annum; for 2,000 miles and up to 3,500 miles, $175 per annum.

Over 3,500 miles, for each consignment moving 5 miles or less, 5 cents per mile; each mile in excess of 5 miles, 3 cents per mile.

All pouches in a consignment in excess of three, 1 cent per mile per pouch additional.

Deliveries to and from the car to be made by the Post Office Department.

CLOSED POUCH INTERURBAN SERVICE.

Maximum compensation paid steam railroads for like service.

RAILWAY POST OFFICE SERVICE.

For independent cars or compartments in cars: City service, 1½ cents per linear foot of interior length per car mile; interurban service, maximum compensation paid steam railroads for like service. Minimum mileage either city or interurban service to be 30,000 miles per year per car required in service.

The condition of the companies two years ago was onerous, and therefore as a result of the passage of the parcels-post law and the increased cost of labor and material, is now very much more so. A great many of the companies represented by this committee are considering, in justice to the interests which they represent, the advisability of discontinuing their mail service; and of this number a few, we understand, have directly notified the postal department within the comparatively recent past of the discontinuance of all or a portion of their railway-mail service.

It is eminently proper that the electric railway companies of the United States, occupying the unique position as they do, should be of inestimable value to the postal service and to the public, and it is the desire of these companies that they be given more of this work to perform, with the assurance from them to the postal department of their earnest cooperation in maintaining the highest kind of efficiency to the service, but it is absolutely unfair and inequitable that they should be called upon to render this service, not only without a fair return, but absolutely at a loss.

We therefore respectfully submit the above and earnestly urge your earnest and careful consideration of this appeal.

Respectfully submitted.

(Signed) M. C. BRUSH,

*Second Vice President Boston Elevated Railway Co., Boston, Mass., Chairman for the Committee on Compensation for Carrying United States Mail.*

Committee members: H. A. Nicholl, general manager Union Traction Co. of Indiana, Anderson, Ind.; A. R. Piper, general freight agent Brooklyn Rapid Transit System, Brooklyn, N. Y.; J. K. Choate, vice president J. G. White Management Corporation, New York, N. Y.; P. N. Jones, general manager Pittsburgh Railways Co., Pittsburgh, Pa.

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EXHIBIT A.

COMMITTEE ON COMPENSATION FOR CARRYING UNITED STATES MAIL OF AMERICAN ELECTRIC RAILWAY ASSOCIATION.

[Copy of report to Committee on the Post Offices and Post Roads.]

WASHINGTON, D. C., *May 14, 1912.*

*To the Committee on the Post Office and Post Roads, United States House of Representatives, Hon. John A. Moon, Chairman, Washington, D. C.*

GENTLEMEN: The American Electric Railway Association, whose membership comprises the electric railways throughout the United States, has for its object the advancement of the art and the greater efficiency of the service which its members are called upon to render the public, and at the same time to foster the industry (with which the individual citizen comes in daily contact) as legitimate business enterprise, entitled to earn a fair return for the service it renders.

With this in view, and in response to the general complaint of its member companies as to the inadequacy of the rates paid by the Government for the transportation of the United States mail on electric roads, the association created a committee on compensation for carrying United States mail, and charged it

with the duty of securing data from which to formulate rates that would be fair to the Government, and at the same time compensatory to the member companies. This the committee has done, and in recommending the rates has had in view that it is the duty of the member companies to perform this service at as low a rate as is consistent with the cost of same plus a reasonable profit.

RECOMMENDATIONS.

The executive committee of the association approved the recommendation of the committee and instructed it to present the matter to the governmenal authorities and endeavor to secure the enactment of such legislation as would authorize the postal authorities to put in effect the rates recommended for the transportation of United States mail on electric city and interurban lines, which are as follows:

*Closed pouch city or suburban service.*—From one to three pouches (inclusive), maximum weight 50 pounds per pouch, carried on passenger cars: For 2,000 miles or less, $150 per annum; for 2,000 miles and up to 3,500 miles, $175 per annum. Over 3,500 miles, for each consignment moving 5 miles or less, 5 cents per mile; each mile in excess of 5 miles, 3 cents per mile. All pouches in a consignment in excess of three, 1 cent per mile per pouch additional. Deliveries to and from the car to be made by the Post Office Department.

*Closed-pouch interurban service.*—Maximum compensation paid steam railroads for like service.

*Railway Post Office Service.*—For independent cars or compartments in cars: City service, 1½ cents per linear foot of interior length per car-mile; interurban service, maximum compensation paid steam railroads for like service; minimum mileage, either city or interurban service, to be 30,000 miles per year per car required in service.

PRESENT RATES.

The present rates for the transportation of United States mail on electric and cable lines are, under authority of an act of Congress approved March 3, 1901, modified by an act of Congress approved May 27, 1908, and by similar acts each year to the present time, as follows:

*For closed-pouch service.*—2,000 miles or less, $150 per annum; more than 2,000 and not more than 3,500 miles, $175 per annum; more than 3,500 and not more than 5,000 miles, $200 per annum; more than 5,000 and not more than 8,333 miles, $250 per annum; more than 8,333 miles, 3 cents per mile run.

As modified May 27, 1908, the Postmaster General in cases where the quantity of mail is large and the number of exchange points numerous may, in his discretion, authorize payment for closed-pouch service at the rate per mile not to exceed one-third above the rate per mile now paid for closed-pouch service.

*For electric and cable railway postal car service.*—For mail cars and compartment carrying the mail not to exceed 1 cent per linear foot per car mile traveled. The present rate for closed-pouch service is on the per-mile basis, without regard to distance or the quantity of mail matter to be transported, and where there are a number of deliveries to be made along a particular route the compensation is reckoned not on the mileage of each delivery, but only on the mileage over which the car or train travels. For illustration, suppose a route is 5 miles in length and two intermediate deliveries are to be made—five pouches at the first, four at the second, and two at the third or end of the route. The compensation would, at 3 cents per mile, be 15 cents, the same as if the two terminal pouches only had been carried. This works a great hardship on the carriers, and the hardship increases year by year as the communities grow and the intermediate deliveries become more numerous. It may appear to some that the cost of performing closed-pouch service on electric lines is small, if any. This is a mistake, as it takes time to take on and put off the pouches; it is often necessary en route from post office to destination to transfer the pouches from one car to another; the pouches occupy valuable space that could otherwise be occupied by passengers, express, or baggage, and the presence of pouches increases the liability to accidents.

CONCLUSION.

A summary of the whole must lead to the conclusion that by reason of carrying the United States mail the car hours necessary to maintain the service on the line is increased, space is occupied, and the hazard of operation is increased.

Interurban electric lines at the present time reach nearly every city or town in all sections of the country, and could provide means for rapid and frequent mail deliveries. On these lines trains are usually operated every hour, and in some instances every half hour, and could advantageously be used for the carriage of mail matter. If compensatory rates were established, these lines would be justified in further carrying the mails, thus giving better and more satisfactory service to the people of these communities than could otherwise possibly be given.

The maximum rate of 1 cent per mile per linear foot of inside length now paid for independent mail-car service on electric roads is grossly inadequate, and is less than it costs the carriers to maintain the service. The transportation of mail by electric roads may be termed a special business, which forms a very small proportion of its entire business, but it requires special supervision and entails added responsibility. The postal authorities are exacting as to the service, requiring promptness of dispatch and delivery. Considering all the conditions, the electric railways, if they consult their best interest, must get increased compensation or discontinue the business of carrying the mails.

It may be asked why the electric roads undertook to perform the service at rates which were not remunerative. The answer is:

First. Many roads undertook to carry United States mail at unremunerative rates with the mistaken idea that it would help them in cases of labor trouble to keep their cars running.

Second. Operating expenses formerly were less than they are at present, but the carriers have continued from year to year in the hope that the Government would recognize the value of the services rendered and increase the rates to an equitable basis. The electric carriers now realize that the business is unprofitable and undesirable at the present rates, and ask that the Government equalize the existing rates paid for the different classes of mail transportation so that the electric lines can consistently obtain a reasonable proportion of the business on a fairly remunerative basis.

The report of the Second Assistant Postmaster General for the year ending June 30, 1911, shows the total expenditure for steam railroad transportation is $50,910,261.68 and covers a mileage of 449,654,863.96, or at the rate of 11.32 cents per mile. The total expenditure for electric and cable-car service was $688,952.20 and covered a mileage of 11,525,267.47, or at the rate of 5.91 cents per mile. For wagon service the expenditure was $1,643,332.70 and covered a mileage of 5,177,816.92, or at the rate of 31.73 cents per mile. This shows that while the mileage of the electric-car service was over twice as great as the wagon service, the expense was only 42 per cent as much; or, in other words, the wagon service cost over five times as much per mile as the electric-car service. The comparison with steam-railroad service shows a cost per mile twice as great as electric-car service.

The electric railways want to perform the service of handling the mails, but most earnestly submit that for the service they should be paid a remunerative rate, and the rates herein suggested are not more. The electric line is the most economical method of handling the mail; the substitution of screen or motor wagons would cost four or five times as much, and at certain seasons of the year many of the remote suburbs could not be reached by this service.

In conclusion we respectfully urge that such legislation be recommended as will authorize the Postmaster General to make effective the rates herein suggested for service performed by the electric railways in carrying the United States mail.

Respectfully submitted.

T. H. Tutwiler, *Chairman*,
H. A. Nicholl,
Alexander R. Piper,
*Subcommittee of American Electric Railway Association,*
*on Compensation for Carrying United States Mail.*

EXHIBIT B.

*Statement giving estimated cost of operation of mail cars on the Brooklyn Heights Railroad Co.*

[Eleven mail cars now owned, 9 in actual commission. Mileage operated year ending June 30, 1912, 235.393 miles.]

| | Cents per car-mile. |
|---|---|
| (*a*) Car investment, taxes, interest, and insurance | 1.122 |
| (*b*) Car house and shop facilities, taxes, interest, and insurance | .386 |
| (*c*) Power-station investment, taxes, interest, and insurance | |
| (*d*) Power-transmission investment, taxes, interest, and insurance | 1.132 |
| (*e*) Track investment, taxes, interest, and insurance | 2.714 |
| (*e 1*) Overhead investment | .433 |
| (*f*) Cost of power,[1] including interest on power-station investment | 2.580 |
| (*g*) Wages of car crew | 6.040 |
| (*h*) Maintenance of car bodies | .560 |
| (*i*) Maintenance of car trucks | .400 |
| (*j*) Maintenance of track | 1.840 |
| (*k*) Wages of other transportation and car-service employees and other expenses | 1,870 |
| (*l*) Maintenance of line equipment, buildings, and electrical equipment of cars | 1.690 |
| (*m*) General expenses | 2.410 |
| (*n*) Taxes, other than property taxes included in items (*a*) to (*e*) | 1.397 |
| Total | 24.574 |

NOTE.—These figures are exclusive of any charge for theoretical depreciation, supercession, or obsolescence, or any element of profit beyond the legal rate of interest.

Approved.

(Signed) HOWARD ABEL, *Comptroller.*

| | | | Cents per car mile. |
|---|---|---|---|
| (*a*) Car investment: | | | |
| Car body, including cost of equipping | $1,469.00 | | |
| Vestibuling | 123.28 | | |
| 2 W. H. No. 68 motors, at $375 | 750.00 | | |
| 2 K–11 controllers, at $130 | 260.00 | | |
| 1 Dupont truck | 300.00 | | |
| | 2,902.28 | | |
| For 11 cars | 31,925.08 | | |
| Taxes at $18.70 per $1,000 | | $597.00 | |
| Insurance at $4 per $1,000 | | 127.70 | |
| 6 per cent on investment | | 1,915.50 | |
| | | 2,640.20 | |
| Investment charges per mile on mileage operated year ending June 30, 1912 | | | 1.122 |
| (*b*) Car-house investment and shop facilities: | | | |
| $1,000 per car | $11,000.00 | | |
| Interest at 6 per cent | | $660.00 | |
| Taxes at $18.70 per $1,000 | | 205.70 | |
| Insurance at $4 per $1,000 | | 44.00 | |
| | | 909.70 | |
| Per car mile (on mileage operated year ending June 30, 1912) | | | .386 |
| (*c*) Power-station investment (included in cost of power). | | | |
| (*d*) Power-transmission lines: | | | |
| Cost | $7,095,300.00 | | |
| Mileage surface lines, 49,322,535. | | | |
| Interest at 6 per cent | | $425,718.00 | |
| Taxes at $18.70 per $1,000 | | 132,682.11 | |
| | | 558,400.11 | |
| Per car mile (on mileage operated year ending June 30, 1912) | | | 1.132 |

[1] Power purchased at switchboard of producer.

(*e*) Track investment (charges taken at the average cost per mile for the entire surface system):
542.602 miles, at $31,352 per mile---- $17,011,657.90
Mileage surface lines, 49,322,535.
Interest at 6 per cent---------- $1,020,699.47
Taxes at $18.70 per $1,000---------- 318,118.00
1,338,817.47
Per car mile (on mileage operated year ending June 30, 1912)------ 2.714

(*e1*) Overhead investment (charges taken at the average cost per mile for the entire surface system):
542.602 miles at $5,000 per mile-------- $2,713,010.00
Mileage surface lines, 49,322,535.
Interest at 6 per cent---------- $162,780.60
Taxes at $18.70 per $1,000---------- 50,733.29
213,513.89
Per car-mile (on mileage operated year ending June 30, 1912)------- .433

(*f*) Cost of power---------- 2.58

(*g*) Wages of car crews:
Year ending June 30, 1912---------- $14,217.74
Mail-car mileage, 235,393.
Cost per car-mile---------- 6.04

(*h*) Cost of maintenance of mail-car bodies---------- 1,318.20
Mail-car mileage, 235,393.
Cost per car-mile---------- .56

(*i*) Cost of maintenance of car trucks---------- 941.57
Mail-car mileage, 235,393.
Cost per car-mile---------- .40

(*j*) Cost of maintenance of tracks---------- 4,331.23
Mail-car mileage, 235,393.
Cost per car-mile---------- 1.84

(*k*) Wages of other transportation and car-service employees and expenses:
Superintendence of transportation---------- .84
Switchmen, couplers, flagmen, etc---------- .35
Car supplies---------- .21
Car-house employees and expense---------- .27
Wrecking expenses---------- .01
Cleaning and sanding track---------- .08
Removal of snow, ice, and sand---------- .06
Operation of signal and interlocking systems---------- .03
Operation of telephone and telegraph systems---------- .02
1.87

(*l*) Maintenance of line equipment, buildings, and electrical equipment of cars, and miscellaneous equipment:
Maintenance of line equipment---------- .28
Maintenance of buildings---------- .13
Maintenance of electrical equipment of cars---------- .83
Superintendent of equipment---------- .05
Miscellaneous equipment---------- .40
1.69

(*m*) General expenses:
Salaries, office and general expenses---------- .44
Law expenses---------- .10
Pensions and gratuities---------- .04
Miscellaneous expenses---------- .25
Injuries and damages---------- 1.54
Stationery and printing---------- .04
2.41

(*n*) Taxes:
Special franchise---------- 200,930.33
Bridge tolls---------- 60,731.48
State tax on earnings---------- 79,444.16
Federal tax---------- 40,427.49
381,533.46
The B. H. R. R. Co., total car revenue miles, 27,301,459.
Cost of taxes per car mile---------- 1.3975
Mail-car miles, 235,393.
235,393 miles at 1.3975 cents, $3,289.62.

OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., January 16, 1914.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-class Mail Matter and Compensation for the Transportation of Mails, Congress of the United States.*

MY DEAR MR. CHAIRMAN:

I hand you herewith a statement prepared by the Second Assistant Postmaster General in review of the testimony taken before the joint committee, respecting compensation for the transportation of mails.

Yours, very truly,

A. S. BURLESON,
*Postmaster General.*

## A STATEMENT ON BEHALF OF THE POST OFFICE DEPARTMENT IN REVIEW OF THE TESTIMONY TAKEN BEFORE THE JOINT COMMITTEE, RESPECTING COMPENSATION FOR THE TRANSPORTATION OF MAILS.

### I.

### HOUSE DOCUMENT NO. 105 AND ITS FINDINGS.

The inquiry, the results of which are stated in House Document No. 105, was begun and prosecuted under the provisions of the act of March 3, 1879, chapter 180, section 6 (20 Stats. L., 358), requiring the Postmaster General to request all railroad companies carrying the mails to furnish under seal such data relating to operating, receipts, and expenditures of such roads as may, in his judgment, be necessary to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same, and to report to Congress, with such recommendation, founded upon the information obtained, as shall, in his opinion be just and equitable.

The forms and instructions prepared by the department and sent to all railroad companies carrying the mails, requested detailed information as to facilities furnished or employed for mail, passenger, and express services. The forms required for each train run during a specified period, a statement as to the termini and distance of operation, the frequency, the average speed, the number and size of railway post-office cars and apartment cars run, and the closed-pouch service performed; also the number and length of passenger cars, and of express cars, and of apartments for express run in such trains; also a statement of station service and station and terminal facilities furnished, and of personal transportation and supervision for the mail and express services. A statement was required for each road or system showing the train and car mileage, the total revenues of the passenger, express, and mail services, the total operating expenses, and the total passenger operating expenses. As to the passenger operating expenses, additional detailed information was requested with respect to each of the 116 primary accounts recognized by the Interstate Commerce Commission, showing for each item the amounts assignable directly to the mail, express, passenger, and freight services, and the amounts of the remainders apportioned to the passenger service (including mail and express), and the basis for such apportionments. The original cost and the present value of railway post-office and mail-apartment cars was also covered. (See report of Second Assistant Postmaster General for 1910, pp. 15 and 16.)



49396—14——70

The period from midnight, October 31, to midnight, November 30, 1909, was selected by the department for which the information should be furnished. Some companies, however, prepared their reports from records kept in the months of December, 1909, and January, 1910. Reports were received from 430 companies, including practically all the large systems, and data were submitted for 2,778 routes, a percentage of 83.95 of a total of 3,309 authorized railroad mail routes. The routes for which reports were received represent a mileage of length of 194,587.46 miles, or 88.95 per cent of a total authorized mileage of length of 218,746.71 miles. The transportation pay for the fiscal year 1910 on the routes reporting was $41,870,654.45, or 94.23 per cent of a total of $44,435,504.47. Of the expenditure for railway post-office cars the companies operating the routes reporting received $4,496,610.19, or 95.73 per cent of a total expenditure of $4,697,140.10. (See Report of Second Assistant Postmaster General for 1911, p. 17.)

Under an authorization of an appropriation by Congress a special force of temporary employees was secured and was engaged under the direction of expert regular employees in verifying the reports and making the necessary computations. It was found that the reports were inaccurate and defective in many particulars, and the special force checked the operation of every train and corrected every inaccuracy or discrepancy found. Supplemental forms and inquiries were sent out where the information furnished was incomplete. (Id.)

The completed work shows the relation between the operating expenses charged to each of the three classes of service and the amount of service performed in each class upon a unit basis as well as a comparison between them. It shows the same relation on a unit basis between the revenue derived from the mail service and a comparison with the ascertained cost.

Although the results obtained by the department have been assailed by the railroad companies' committee, they have nevertheless shown that it is possible to approximately divide the total operating expenses of the railroads between the passenger and freight services, respectively, and, further, to ascertain the space relation between passenger proper, express, and mail services, and assign to these several classes the direct expenses and apportion the unassigned expenses upon the ratio of the space devoted to each of the three classes of service. Therefore, it has been possible to compare the expense to the railroad companies of performing the mail service with the revenue derived by the companies from it on a unit basis of service performed.

Besides furnishing for the first time a reliable gauge by which to compare compensation paid railroads with the estimated cost to them of performing service crediting them with the full pro rata share of all operating expenses in which the mails participate, the inquiry has developed the fact that the present system of adjusting compensation for mail service results in a very unequal distribution of pay among the companies due to conditions which are not uniformly represented in a weight basis of pay.

On the face of the data properly checked and revised where erroneous it was shown that that part of the total operating expenses and taxes of the railroads which was charged to the mail

service on the basis of its proportion of car space to the whole passenger-car space, with the addition of 6 per cent thereon, was, for the companies or systems reporting, for the year in question, in the aggregate $9,000,000 less than the mail revenue received from the Government.[1] (House Doc. No. 105, p. 7.)

It will be observed that this amount is stated as the approximate excess of revenue over cost of operating expenses and 6 per cent "for the companies or systems reporting." Unfortunately for the accuracy of the matter the letter of Postmaster General Hitchcock transmitting Document No. 105, differed from the letter of the Second Assistant Postmaster General in stating that "the committee estimates that through a readjustment of railway mail pay on the basis of cost with 6 per cent profit a saving to the Government could be made of about $9,000,000."

It will be readily seen that this estimate upon the entire service is too low. The $9,000,000 estimate was based on Table 7 of the document referred to, which represented 175,922 miles of routes out of a total of 220,730 miles of railroad mail routes. The full amount may be estimated by applying the ratio between revenue and expense, taxes, and 6 per cent, as shown by Table 7. The operating expenses, taxes, and 6 per cent charged to mails, based on Table 7, are 78.6383 per cent of the revenue shown by the same table to have been received from mails. The total revenue for the fiscal year 1910 was $49,302,217. Applying the per cent above named gives an estimated total of operating expenses, taxes, and 6 per cent, of $38,770,425. This would leave a balance of $10,531,792.[1]

The conclusions reached in the document were assailed by the railroads on the following main grounds, namely:

That the $9,000,000 excess of revenue over expense does not take into consideration a return on value of property used;

That the department's division of total operating expenses between freight and passenger services was made in a manner resulting in too small an apportionment of unassigned expenses to the passenger service, and consequently decreased the cost to the mail service; and

That the department did not charge to the mail service "dead space" reported by the companies as having been run in connection with space used for the mails.

These contentions will be severally examined hereinafter.

## II.

### THE CONCLUSION AS TO RAILROAD MAIL PAY.

#### THE RAILROADS' CLAIMS AS TO UNDERPAYMENT.

In submitting Document No. 105 Postmaster General Hitchcock made the following statement:

> Taken as a whole, it is shown that the railroad companies are receiving from the Government for transporting mails payments considerably in excess of the cost of such service. The committee estimates that through a readjustment of railway mail pay on the basis of cost with 6 per cent profit a saving to the Government could be made of about $9,000,000.

[1] This does not allow for certain charges hereinafter named.

This statement was assailed by the railroads' committee in their document entitled "Mail Carrying Railways Underpaid," set forth in full in the preliminary report, the specific objection being that the estimate above named was based upon apportionment to the mail service of cost and 6 per cent thereon without any allowance for a return on investment in property employed in conducting the mail service.

In reply to this, Postmaster General Hitchcock submitted to the chairman of the joint committee, by letter of January 9, 1913, the following statement:

> That in addition to the operating expenses and taxes apportionable to the mail service and 6 per cent thereof, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service. (Preliminary report, p. 96.)

It was pointed out by the Second Assistant Postmaster General at the hearing that this involved a duplication of 6 per cent interest on cost. This is stated to be so by Mr. Lorenz. (Hearings, p. 860.)

In the "Memorandum on Behalf of the Post Office Department," etc., in reply to the above statement by the railroads, the Second Assistant Postmaster General made a preliminary review of this contention of the railroads and a reply thereto. (Preliminary report, pp. 98, 99.)

During the hearings the representatives of the railroads' committee undertook to charge against the mail service, in addition to operating expenses, taxes and 6 per cent thereon, an additional sum of $15,000,000, being approximately 6 per cent upon the share (assumed by them as 1.78 per cent based on per cent of revenue) of the mails in the value of the total property of the railroads of the United States, placed at $14,387,816,099, as reported by the railroad companies to the Interstate Commerce Commission in 1910. (Hearings, p. 15.) In presenting this the railroads assumed that the proportionate part which is devoted to the mail service bore the same relation to the total value of the property as the mail revenues bore to the total revenues of the companies, and that 6 per cent on that base was a proper charge against the mail service. From these premises, faulty though they are, as will be hereinafter shown, the conclusion was drawn that the railroads are underpaid $15,000,000, and this was arrived at without considering the $9,000,000[1] which was referred to by Postmaster General Hitchcock, which would have reduced the $15,000,000 to $6,000,000, or considering the further fact that there was a duplication of 6 per cent on operating expenses. This alleged underpayment has been set forth in documents printed and distributed widecast by the railroads' committee and reproduced in the press throughout the country. Further efforts were made on the part of the railroads' committee to show underpayment by making a comparison between growth of postal revenues and railway mail pay, and also between growth of their railway traffic earnings and mail earnings (pp. 733, 734). The elements compared have no necessary relation with each other as has been shown in the hearings (pp. 655, 659) and need no further comment here.

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[1] This amount was for only the roads reporting, as stated hereinbefore.

Finally, the railroads' committee contend in their brief that a proper understanding of Document No. 105 "demonstrates that these railways are actually underpaid" (p. 721).

In his "Memorandum in Review of the Testimony," etc., Mr. Robert H. Turner, secretary to the joint committee, asserts that under existing law if the present system is to be continued the railroads are underpaid approximately $12,000,000 (p. 959). He further states that upon a consideration of Document No. 105 the railroads are apparently underpaid either $14,000,000 plus or .$9,000,000 plus, dependent upon whether 6 per cent or 4 per cent return is allowed on capital employed (pp. 960, 961, 962).

## THE DEPARTMENT'S REFUTATION OF CLAIMS OF UNDERPAYMENT.

### THE RAILROADS' PREMISES.

In support of their claims the railroads' committee relies upon an argument, set forth on pages 721, 722, based upon Postmaster General Hitchcock's statement that he would recommend an allowance, in addition to operating expenses, of such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service, and the answers of the Second Assistant Postmaster General upon hypothetical questions concerning a 6 per cent allowance on the assumed total value of railroad property of fourteen billion dollars.

It will be noticed that Postmaster General Hitchcock did not in his letter concede or recommend an allowance of 6 per cent as a return upon the value of the property necessarily employed in connection with the mail service, but specifically stated that such additional amount might be allowed, if any be necessary, "*as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.*"[1] Nowhere in the testimony of the department's officers is there any concession that 6 per cent is a proper allowance to "render the whole a proper proportion of the fair and reasonable return on the value of the property," as set forth in Postmaster General Hitchcock's letter. Nowhere in the testimony of the Second Assistant Postmaster General or that of any officer of the department is there any acceptance of the fourteen billion dollars as the proper valuation of the railroad property, or agreement that 1.78 per cent of the same is a proper part of the total valuation of railroad property to represent the "value of the property necessarily employed in connection with the mail service." The quotations from the testimony of the Second Assistant Postmaster General, set forth on pages above referred to, are partial and fragmentary and are used as part of an argument rather than as indicating the true views of that officer with respect to the points above mentioned. This is carried to the extreme in such paragraphs as the following:

> The effect of adding to the estimated payments shown in Document No. 105 the just allowance for return on invested capital thus conceded would be to increase the aggregate of those estimates beyond the present total payments. This is freely admitted by the Post Office Department (p. 721).

[1] Italics are those of writer of this brief.

The department's position is clearly shown in the testimony and can not with justice be construed to support the above statement of the railroads' committee. The statement of the Second Assistant Postmaster General, regarding the matter, appearing on page 9 of the hearings, is as follows:

> Because, Senator, upon a further and more careful consideration of the subject we were convinced that the railroad companies were entitled to consideration for this additional element. We are not prepared to say what that should be. It is a very difficult question, and it involves the physical valuation or ascertainment of capitalization and then the ascertainment of a fair proportion of that devoted to the mail service, and, furthermore, after you ascertain that, a determination of what rate per cent return thereon is due the companies for performing a public function for the United States. It is a difficult question, but we believe that that is an element which should enter into compensation to some extent, and having come to that conclusion, we submitted this amendment to our original plan.

The further testimony in reply to Mr. Lloyd's questions on page 20 of the hearings, cited by the railroads' committee and set forth in Mr. Turner's memorandum, shows clearly that the Second Assistant Postmaster General regarded the questions as purely hypothetical and particularly stated that the conclusions were true *if the premises should be granted*, but in no part of his testimony did he grant the premises.

The conclusions of both the railroads' committee and Mr. Turner are based upon the following assumptions:

1. That the $14,387,816,099 reported to the Interstate Commerce Commission by the railroads is the true value of their properties;
2. That the value of the railroad property necessarily employed in connection with the mail service is represented by 1.78 per cent of the total value of all railroad property, the per cent named being the per cent of mail revenue to the total operating revenues of the railroads;
3. That the mail service should be charged with 6 per cent of such valuation; and
4. That rates for mail service should be governed by the same principles as govern the making of rates for commercial business.

### MAIL REVENUE EXCEEDED IN 1910 A REASONABLE RATE ON COMMERCIAL BASIS, ASCERTAINED FROM DATA AND RATIOS OF DOCUMENT NO. 105.

The mail revenues received by the railroad companies for the fiscal year 1910 exceeded by a considerable amount the cost to the railroad companies of operation and taxes apportionable to the mail service, on the basis of Document No. 105, with an additional apportionment to such service of a pro rata share of all other expenses which are a charge against income and payable out of operating revenues.

In making clear the basis for this statement the first three assumptions will be discussed, followed by an apportionment to the mail, in addition to the cost of operation and taxes, of a share of other expenses which are a charge against income and payable out of operating revenues, thus treating the mail service in precisely the same manner as the business of the railroads is treated by themselves.

With respect to the first assumption stated in the preceding subdivision, it may be said that while the amount of $14,387,816,099 is stated by the Interstate Commerce Commission's report as that

which has been invested by the railroads of the country in road and equipment, the doubt of the commission as to the reliability of such estimates is very pronounced. In the advance rate cases (20 I. C. C. Report, 257) Commissioner Prouty says:

Carriers are now required to state in their statistical returns to the commission the cost of their properties. If this amount were carefully kept it would show the money expended from the first in building and equipping the railroad. In point of fact this item is not reliable.

Again, on page 258 of the same report, the following appears:

Were it possible to determine the exact amount of money which has been put into these properties, the amount of return which has been paid up to the present time, the degree of prudence with which the property has been constructed and operated, certainly the investment would furnish a very satisfactory basis for arriving at an equitable return. But these facts never can be determined with accuracy.

The commission, in passing upon the cases, makes the following statements (p. 305):

We have been compelled to dispose of this case upon the evidence available. As previously noted, there is no testimony tending to show the cost of reproducing these properties. It is plain that a physical valuation would introduce into the calculation a new element which might lead to a different conclusion. The conclusion reached here extends, therefore, no further than the facts upon which it is based.

The interest of the public ought not to depend upon a valuation made entirely by the owners of these properties, no matter how honestly the work may be prosecuted.

In the case of the City of Spokane *v.* Northern Pacific Railway Co. (15, I. C. C. Rep., 399), in connection with a consideration of the money invested in the road, etc., the following paragraph occurs:

It will be seen from the above statement that it is utterly impossible to know what amount of money has been actually expended in constructing the Northern Pacific properties up to the present time. Previous to September 1, 1896, the account which we have is entirely unreliable. It is impossible to say either what cash was invested or what return has been paid upon the investment.

As further showing the difficulty involved in such estimates, the following statement in the case of Ames *v.* Union Pacific Railway Co. (64 Fed., 177), in regard to the value of railroad property, is made:

It is not easy to always determine the value of railroad property, and if there is no other testimony in respect thereto than the amount of stock and bonds outstanding, or the construction account, it may be fairly assumed that one or other of these represents it, and computation as to the compensatory quality of rates may be based upon such amounts. In the cases before us, however, there is abundant testimony that the cost of reproducing these roads is less than the amount of the stock and bond account, or the cost of construction, and that the present value of the property is not accurately represented by either the stocks and bonds, or the original construction account.

In a paper entitled "Certain considerations in railway rate making," read by Hon. Balthasar H. Meyer, member of the Interstate Commerce Commission, before the American Economic Association, December 29, 1913, the slight credit to be accorded reputed values of properties and their alleged relation to outstanding securities is discussed.[1]

[1] Perhaps the most important single factor, now unknown, which will enter into the consideration of railway rates in the future is that of the value of the property. Theoretically, it has long been considered by commissions and courts, but in practice its application has been limited to isolated valuations or partial valuations made under different, if not mutually exclusive methods varying in degree of thoroughness and applied almost exclusively to meet allegations of confiscation of property. In the not distant future we may hope to know what the fair value or final value of our railway properties is, whatever these terms may be made to include. In the past attempt has been made to appeal to the volume and market value of outstanding securities with the view of having them considered as evidence of value to support a rate or rate structure under attack. In the future, after the valuations have been made, similar appeals can have little weight. (Railway Age Gazette, Jan. 9, 1914, p. 69.)

In view of the fact that Congress has authorized the commission to make a physical valuation of the railroad property, as recommended by the commission, and the further fact that the commission considers the present railroad estimates of valuation as unreliable, the conclusion seems inevitable that no authentic calculation can be made which has for its basis the value of road and equipment as reported to the commission, or introduced into the hearings by the railroad companies.

With respect to the second assumption it may be said that it is open to the objection that the revenue per cent is not a proper basis of division as it does not apportion the property according to the "value of the use." This is well stated by the Supreme Court in the Minnesota rate case, as follows:

> In support of this method it is said that a division of the value of the property according to gross earnings is a division according to the "value of the use" and therefore proper. But it would seem to be clear that the value of the use is not shown by gross earnings. The gross earnings may be consumed by expenses leaving little or no profit.
>
> It is not asserted that the relation of expense to revenue is the same in both businesses; on the contrary, it is insisted that it is widely different. * * *
>
> If the property is to be divided according to the value of the use, it is plain that the gross-earnings method is not an accurate measure of that value.

For the purposes of estimate we have used hereinafter the per cent on which cost was apportioned, but this, though more than the rate used by the railroads, is open to a similar objection and is probably too high.

With respect to the third assumption, it may be said that it is not necessary for the railroads of the country to realize 6 per cent upon the stated valuation of their property in order to pay other charges against income payable from operating revenues after meeting operating expenses and taxes.

The fourth assumption will for convenience of presentation be considered hereinafter.

The following is a statement, so far as the mail service is concerned, of the application of operating revenues to the payment of operating expenses and taxes and all the other charges against income which must be paid out of operating revenues upon a commercial basis. Even upon this basis it completely disproves the contentions of the railroads that they were underpaid.

*Operating revenues, and operating expenses and charges against income.*

| | | |
|---|---|---|
| Total operating revenues (rail operations) for all railroads, as shown by the report of the Interstate Commerce Commission for 1910 (Statistics of Railways, 1911, p. 53) | | $2,750,667,435 |
| Total operating expenses (rail operations) of all railroads as shown by the same report | $1,822,630,433 | |
| Accrued taxes (id.) | 103,795,701 | |
| Total | | 1,926,426,134 |
| Remainder | | 824,241,301 |

out of which the following items of expense, as shown by the same report, chargeable against income and payable out of operating revenues (rail operations) must be paid, viz:

| | | | |
|---|---|---|---|
| Net rents accrued for lease of other roads | [1] $2,834,991 | | |
| Hire of equipment, net debit balance | [1] 15,841,144 | | |
| Joint facilities, net debit balance | [1] 11,289,579 | | |
| Miscellaneous rent debits | 4,499,260 | | |
| Net interest accrued on funded debt | [1] 370,092,222 | | |
| Other interest | 16,520,342 | | |
| Extinguishment of discount on securities | 565,337 | | |
| Sinking and redemption funds chargeable to income | 5,886,977 | | |
| Other deductions | 9,973,828 | | |
| Total | | $437,503,680 | |
| Less total other income: | | | |
| Miscellaneous rent credits | 6,515,218 | | |
| Separately operated property, net profits | 2,278,720 | | |
| Net dividends receivable on stocks accrued or controlled | [1] 28,069,039 | | |
| Net interest receivable on funded debt owned or controlled | [1] 5,964,331 | | |
| Interest receivable on other securities, loans, and accounts | 30,650,925 | | |
| Miscellaneous income | 9,253,557 | | |
| Total | | 82,731,790 | |
| Balance | | 354,771,890 | |
| Net dividends declared | [1] 293,836,863 | | |
| Appropriations for reserves | 3,581,342 | | |
| | | 297,418,205 | |
| Total items of charge against income to be paid out of these revenues | | | $652,190,095 |
| Leaving surplus of | | | 172,051,206 |

available for appropriation for additions and betterments, and new lines and extensions, aggregating $58,906,952.

However, this amount of $652,190,095 represents the entire railroad mileage of 239,446 miles of lines. Table 7 of Document No. 105 represents 175,922 miles of railroad mail lines out of a total of 220,730 miles of railroad mail lines. It is necessary to reduce the amount by that part which represents miles of lines on which there is no mail service. A tabulation of the mileage, operating revenue, and operating expenses of such roads receiving $100,000 or over in revenues for 1910, made by the aid of the Interstate Commerce Commission reports for 1910 and 1911, shows mileage 2,011, revenues $18,551,892, and operating expenses $11,368,027. The difference between these last-named amounts, $7,183,865, is net revenue. This subtracted from $652,190,095 leaves $645,006,230. This amount still includes the remaining lines (16,705 miles, being 18,716 less 2,011) on which there is no mail service. Deducting the 2,011 miles from the 239,446 miles leaves 237,435 miles. Dividing this into the $645,006,230 and multiplying the quotient by 16,705 miles (the 18,716 less the 2,011) gives $45,370,780 as approximately representing the lines of railroad so included and on which no mail service is performed. This subtracted from $645,006,230 leaves $599,635,450 as the total of the items of charge, other than operating expenses and taxes, to be considered in connection with the mails.

[1] The figures shown for this item represent the net remaining after intercorporate payments were eliminated.

According to Table 7, Document No. 105, the operating expenses and taxes apportioned to the passenger service were 29.21 per cent of the total, and those apportioned to the mails were 6.68 per cent of the passenger service; 29.21 per cent of $599,635,450 is $175,153,515, and 6.68 per cent of this is the amount above operating expenses and taxes which may be charged to the mails if they are to participate in all these charges and at the pro rata based on Document No. 105..... $11,700,255

Table 7 shows $2,682,797 as the operating expenses and taxes charged to the mail service for November, 1909. This raised to the amount for a year is..... 32,193,564

However, Table 7 represents only 175,922 miles of railroad mail routes, the total of which is 220,730 miles. It is therefore necessary to ascertain approximately the operating expenses and taxes for the omitted mileage.

Table 7 shows $137,355,150 as the total operating expenses and taxes for November, 1909. This raised to the amount for a year is $1,648,261,800. But Table 7 does not represent the full mileage of mail routes, and the full mileage of mail routes is less than the total railroad mileage represented in the total railroad operating expenses, as stated particularly above.

Subtracting the $1,648,261,800 from the total operating expenses and taxes for all railroads of $1,926,426,134 leaves $278,164,334 as the operating expenses and taxes for all other miles of lines of railroads, 63,524 miles.

By the tabulation of railroads on which there is no mail service, as above mentioned, their mileage was found to be 2,011 and their operating expenses $11,368,027. These subtracted, respectively, from 63,524 miles and $278,164,334, leaves 61,513 miles and $266,796,307.

This last-named amount, however, includes the 44,808 miles of mail routes not represented in Table 7, and in addition the difference between 44,808 and 61,513, on which no mails were carried. Therefore, it is necessary to ascertain the proportion represented by mail lines. Dividing $266,796,307 by 61,513 and multiplying the quotient by 44,808 gives $194,332,296 as approximately representing the lines of railroad on which mails were carried.

29.21 per cent of $194,332,296 gives the passenger proportion, and 6.68 per cent of the passenger gives, as the share to the mails..... 3,791,866

This makes a total chargeable to the mail service on the basis followed of..... 47,685,685

The total revenue received by the railroads for the fiscal year 1910, as shown by the report of the Second Assistant Postmaster General (p. 15, "Transportation and railway post-office cars combined"), was 49,302,217

Being an excess over the apportioned cost of..... [1] 1,616,532

[1] While it is true that for the fiscal year 1910 there was this surplus of revenue over the apportioned cost, any conclusion with respect to the relation of revenue and cost on this basis for a subsequent fiscal year must take into account the reduction in the fourth contract section by reason of the application of the new divisor which became effective in that section July 1, 1910. The new divisor had already become effective in the other sections. The rate of pay for railroad transportation which became effective on July 1, 1910, in the fourth contract section was ascertained to be 9.13 per cent less than it would have been if the old divisor instead of the new divisor had been used. If the divisor provided by Order No. 412 had been effective in the fourth contract section at the preceding quadrennial readjustment (1906), that part of the pay for the fourth contract section which is represented in the $49,302,217, the total pay for the fiscal year 1910, would have been reduced $1,318,340 (9.13 per cent of $14,439,655), leaving the amount $47,855,364, or $298,192 in excess of apportioned cost. If we estimate that the apportioned cost increased from 1910 to 1913 in proportion as the mail revenue increased, the cost for the fiscal year 1913 would be expressed by $51,146,198. The revenue was $51,466,030, an excess of revenue over apportioned cost of $319,832. That this amount is too small will be evident from this fact, among others, that the total amount of railway post-office car facilities required by the department during the years subsequent to 1909 has been materially reduced. The annual rate of pay for railway post-office cars Nov. 30, 1909, was $4,689,094.29; the same for Nov. 30, 1912, was $4,225,499.30, or a reduction of 9.88 per cent; and for June 30, 1913, it was $4,598,917.07, or a reduction from 1909 of 1.92 per cent. The increase from Nov. 30, 1912, to June 30, 1913, was due primarily to the introduction of parcel post, most of which increase in car space was authorized after Mar. 1, 1913. The companies have been paid for the additional transportation service on account of parcel post at the rate of approximately $1,700,000 a year effective from July 1, 1913. This reduction in car pay means, of course, reduction in car facilities required. An accurate estimate of the effect of this on total apportioned cost can not be given at this time. It is noted, however, that the car-foot miles of railway post-office car service performed by all roads that reported space is 46.25 per cent of the whole car-foot miles of mail service on such roads (Table 6-F, Doc. No. 105).

From the above analysis it is seen that the entire charges against income, above considered, in excess of the entire operating expenses and taxes, paid from operating revenue, namely, $652,190,095, is only 4.53 per cent of $14,387,816,099. The railroads do not receive 6 per cent net on the reported valuation of property. That this is a well-known fact expressing the normal condition of returns on the capitalization of American railroads is shown by the report of the Railroads' Securities Commission transmitted by the President to Congress December 11, 1911, and quoted by Mr. Howard Elliott in his work, The Truth About the Railroads, pages 254, 255, as follows:

> Neither the rate of return actually received on the par value of American railroad bonds and stocks to-day nor the security which can be offered for additional railroad investments in the future will make it easy to raise the needed amount of capital. The rates of interest and dividends to outstanding bonds and stocks of American railroads is not quite 4½ per cent in each case.

Why, then, should the railroads claim from the Government for carrying the mails, even on the basis of a commercial rate, 6 per cent on value of property employed, in addition to operating expenses and taxes? The claim is unreasonable, as it is shown to be in excess of that which is necessary in their commercial business to pay operating expenses and taxes and other expenses chargeable against income and payable out of operating revenues. It is upon this basis that they have attempted to charge the department with a return which would show the deficiency in revenue which they have claimed before the joint committee and asserted in the public press.

Attention is further called to the fact that the above apportionment of expenses (other than operating expenses) chargeable to operating revenues is made to the mail service on the basis of 6.68 per cent of the passenger apportionment. Such a plan of apportionment makes the mail service participate in this ratio in all the passenger operating expenses included in the above account, in addition to dividends. When it is remembered that these items cover the whole field of operating expenses chargeable to operating revenues for the maintenance and operation of the railroads, as well as interest on bonded indebtedness and dividends on capital invested in expensive terminal stations in large cities, it becomes evident that this charge against the mail service is too large.[1] It is impossible to say from data at hand how much it is in excess of a fair charge. The charge against the mail service on these accounts should not be greater than the fair value of the use of the property represented by them and which is employed in connection with the mail service. Neither the railroads nor the department have this information, but it is evident that it must be much smaller than the sum used in the above apportionment.

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[1] A very great proportion of the physical value of railways is concentrated in their terminals in large cities. * * * These are often constructed with special consideration to the convenience of passenger traffic, and expressing architectural beauty. * * * The Pennsylvania Terminal in New York cost $115,000,000; the Grand Central Terminal (New York), $150,000,000; the Washington Terminal, $20,000,000; the Northwestern Terminal, at Chicago, $24,000,000; the Union Station at Kansas City, $40,000,000. (Government Ownership of Railways, Samuel O. Dunn, pp. 65, 216, 217.)

WHAT SHALL BE THE GAUGE OF RAILROAD MAIL PAY?—SHALL IT BE A STRICTLY COMMERCIAL RATE?

It is demonstrated by the above analysis of the disposition of operating revenues that on the strictly commercial basis the railroads are overpaid in the aggregate. Whether they should receive a full commercial rate for the carriage of the mails is a question which must be decided as a matter of public policy and determined by Congress. As an aid to this determination the following considerations may be given weight, namely:

1. The certainty, constancy, and homogeneity of traffic.
2. The certainty and regularity of payment.
3. Railroads are not built primarily to carry mails.
4. The protection to their mail trains which railroads, as Government agencies, receive against unlawful acts in interference with or obstruction of the mails carried.
5. The principle of public utility.

(1) *The certainty, constancy, and homogeneity of traffic.*—It is presumed that in fixing commercial rates railroad companies take into consideration such elements as certainty, constancy, and homogeneity of the traffic and fix lower rates than they would for it under conditions where these elements are absent. Probably no other class of service is characterized by these elements in as great or greater degree. The mail service on a railroad route is certain and constant and practically always of the same character after establishment. Furthermore, mail traffic does not require an expensive force of agents and solicitors to secure business. It is a traffic that offers itself to the companies without solicitation and remains without urging or other consideration except good service.

Upon the question of the importance to the railroads in rate making of a certain, constant, and homogeneous traffic, Prof. Henry C. Adams, professor of political economy, University of Michigan, in his testimony before the Commission to Investigate the Postal Service, Fifty-sixth Congress, second session, states as follows:

> In the first place, this traffic (mail) is a sure traffic to the railways. It is a steady traffic; and while it may be true that a heavier weight of mail passes from the seaboard on either side to the interior than in the opposite direction, it is, nevertheless, distributed with a fair degree of equity. It does not vary from month to month in as great a degree as freight and passenger traffic, which enables the mail equipment of railways to be used more nearly to their full capacity than is the case in freight equipment and passenger equipment.
>
> In the second place, mail traffic is, from the railway point of view, a homogeneous traffic. (S. Doc., vol. 9, Railway Mail Pay, p. 236.)

Upon this point Mr. Finley Acker testified before the same commission, as follows:

> The third factor relates to the character of the business, as to whether it is daily, occasional, or spasmodic, and the significance of this feature has not, in my judgment, received the serious consideration which its importance warrants.
>
> At certain seasons of the year both the passenger and freight business of the railroads is dull, and at such times they could well afford to offer unusually low rates, if such rates would create sufficient artificial business to fully employ their regular facilities. At other periods they are taxed to supply all the facilities demanded.
>
> If it were practicable to make arrangements with shippers to pay for a fixed quantity of freight 365 days in the year, what strong inducement would be offered?
>
> We get the practical idea of how much the railroads appreciate this steady form of traffic by the low rates they offer in their passenger service to those who will make a monthly or yearly contract. (S. Doc., vol. 9, Railway Mail Pay, p. 114.)

The element which is present in the case of commutation rates granted by railroads to passengers is conspicuous in the mail traffic business. The Interstate Commerce Commission, in opinion No. 1628, The Commutation Rate Case, decided June 21, 1911, traces the history and reason for commutation rates on railroads. The commission finds that this service stands by itself as a special and distinct kind of service for which the carrier may demand no more than a reasonable compensation. It is said that it no doubt originated with the practice of the proprietor of a stage coach "having an established schedule between two towns which he must meet even though the coach be but half filled, would readily appreciate the small additional cost in picking up a traveler on the way and carrying him to town, and would not be slow in encouraging such travel by making special rates to those going daily to a nearby market or place of industry." (21 I. C. C. Rep., 438.) This feature of transportation charge appears to have been established when steam transportation originated. The commission further say:

> This "made" or additional daily traffic, picked up as an incident to through traffic, could be carried without adding proportionately to the cost and came in time to be transported for that reason at a charge less than the normal cost for the one-way journey. (Id., 438.)

On page 440 of the same report, the commission say further:

> There can be little doubt that commutation traffic was regarded originally as a mere incident to through traffic and was attractive because it could be handled at little additional cost to the carrier. Besides adding volume to the regular passenger traffic and thus tending materially to reduce the operating cost per passenger, it had the effect of substantially increasing the freight traffic.

The fundamental reason for a lower rate is stated on page 442 of the same report, as follows:

> Unlike excursion traffic, commutation traffic is neither occasional nor sporadic, but on the contrary is characterized by an unusual regularity in volume; it may be accurately measured and provided for more readily than in the case of any other kind of passenger traffic.

All the reasons stated for low rates for commutation service apply with equal force to the mail service.

It is interesting to note that the commutation rate of $10.35 (id., 445) given by the Central of New Jersey Railroad for a daily round trip a month for 40 miles is at the rate of 4.31 mills per passenger mile. With 50 passengers to the car this is equal to 21.5 cents per car-mile. On the basis of Document No. 105 it is shown that the railroads are receiving on the average 4.144 mills per car-foot mile, which is equal to 24.86 cents per car-mile for a 60-foot car, or 13 per cent more than the revenue for 50 commutation passengers. Furthermore the element of liability for personal injury in the case of passenger traffic is proportionately very small in the mail service.

The marked advantage to railroads offered by the mail service in the matter of the unvarying amount and regularity of service is shown by a comparison of the freight service. Railroads have not enough cars to meet the maximum freight requirements at times of heaviest business activity and need, but such cars as they have are often idle for want of business and because of uneconomical handling of equipment. This is in marked contrast with the conditions in the mail service. The traffic is comparatively stable and constant and is handled with a minimum equipment which is constantly in use. The

mail equipment, too, is confined to one road or system and is not interchanged in the manner that freight equipment is. The tracing and securing possession and use of its freight cars is a cause of heavy expense to railroads. Such expense is unnecessary with respect to mail cars. The maximum benefit is received by the company from its investment in mail cars. Concerning this feature of the freight business, Mr. Howard Elliott in his work "The Truth About The Railroads" states as follows:

> The most important service performed by the railways is the transportation of freight. Not everybody has to travel, but everybody must have food, clothing, shelter, and fuel, and nearly all of the food, clothing, shelter, and fuel of the people of this country is carried all or part of the way from producer to consumer in freight cars. The use that the railways make of their cars is, therefore, of the utmost importance, not only to the railways but to the people. When a freight car is standing still it is doing no good to the railway or to the people, but the railways have had to pay for that car, and a part of their capital is invested in it. When it is standing still it is not earning anything on that capital, and as the capital of the railways is a part of the national wealth, the usefulness of the national wealth is impaired by the loss incurred through the idleness of the car. When a freight car is waiting to be loaded by a shipper, or when it is waiting to be unloaded by a consignee, that car is not in the service of the people, whose demand for transportation is now in excess of the capacity of the railways to supply.
>
> It would be a very happy condition if the railways always had enough cars, so that they could supply every shipper with an empty car whenever he wanted it and just as soon as he wanted it. They have not enough cars to meet this requirement at times of the heaviest business in the country, and it is not their fault that they have not. In fact, it would be an economic waste, taking the country as a whole, to have enough cars for the very highest amount of business; this would mean that many cars would be idle for several months of the year. There would be too much idle capital in such a plan. ("The Truth About The Railroads," pp. 77, 78, 79.)

(2) *The certainty and regularity of payment.*—Not only is the traffic constant, practically unvarying in amount, and certain, but there is a certainty of payment for mail transportation. The compensation of railroad companies is fixed for specific amounts per annum, and does not vary materially until the next readjustment, or until some material change in the service requires the fixing of a new rate. Payments are made monthly by warrant on the Treasury. The railroads, therefore, know with a certainty the approximate amount which they will receive for this service, and when they will receive it, and can make their calculations accordingly. While the aggregate amount is small compared with the total operating revenues, it sometimes becomes of greater importance than its proportion in amount would suggest. For instance, during the days of financial depression in 1907 and 1908 the certain and regular payments made by the Post Office Department to the railroads of the country were relied upon by them as a great assistance.

(3) *Railroads are not built primarily to carry mails.*—Railroads are projected and built for the purpose of securing passenger and freight traffic. It is doubtful if the question of the carriage of the mails ever enters into the calculations of any railroad enterprise. After its construction the mail naturally follows and the companies usually secure that business without solicitation. This is a strong argument in favor of treating the carriage of the mail as a by-product, and to charge it with a participation in all of the costs of the road is very liberal policy.

(4) *The protection of mail trains.*—There is a special direct benefit to railroads from carrying the mails which they do not realize from ordinary traffic. This is th protection from the Federal Govern-

ment which their mail trains receive against unlawful acts in interference with or obstruction of the mails which they carry. The Government does not take sides for or against a railroad in any controversy which it has with employees, but in the case of railroads, as well as of other governmental agencies employed in the transportation of the mails, it insists that mail trains shall not be interfered with, and persons who are guilty of overt acts for the purpose of obstructing or delaying the mails are held responsible under Federal statutes.

(5) *The principle of public utility.*—The principle of public utility is of special force in connection with the transportation of the mails by railroads. Whether it should influence the mail rate of pay is a question of public policy which must be determined by Congress.

During the hearings the Second Assistant Postmaster General, in answering the question of the chairman as to what practice shall be taken into consideration in determining what rates of compensation should be paid, stated, among other things, as follows:

* * * Consider what it is worth to the railroad companies to carry the United States mails and what they owe the Government of the United States, what they owe the people, what they owe the country at large for the privilege of maintaining their corporate existence and receiving public grants of lands, rights of way, and performing practically a monopoly of the transportation service of the country. Those things, I think, are very potent in the consideration of the subject, and I think very earnest consideration should be given to what the value of those intangible elements are and what you might call the fair commercial or business gauge of the service should be reduced by such an amount as would fairly represent those very material elements that are concerned in the matter.

The principle of public utility is better expressed by Prof. Henry C. Adams, professor of political economy, University of Michigan, in his testimony before the Commission to Investigate the Postal Service, Fifty-sixth Congress, second session. He states it thus:

If asked why public utility should be accepted as a controlling consideration in determining reasonable compensation, a complete answer would rest upon three points, as follows: First, because of the sovereign character of the postal service itself, which implies that its administration from beginning to end must be such as to safeguard the enduring and the collective rather than the temporary and the personal interests of the people; second, because of the quasi-public character of the railways, which secures to the Government the right of regulating the charges for all classes of service according to the principle of public utility; and third, because of the different results that would follow the application of the political principle on the one hand and of the commercial principle on the other (p. 195).

The railways undoubtedly have the right to insist, from their point of view, that the character of the facilities furnished for the mail service should be taken into account in fixing compensation, and the recognition of this right is involved in all that has been said relative to the commercial interpretation of "reasonable compensation." But, on the other hand, the Government has the right to insist that the transportation of mail is an essential social function; that it is imperative, not alone to the present advantage of the public, but to the healthful and permanent development of the State. It has the right openly, publicly, and without apology to put in practice, in the interest of the public at large, a rule universally acknowledged by railway men in the development of their property. A railway manager is willing, for example, to carry coal at a very low rate, even at the risk of incurring loss, because he knows that coal is potential in industrial development, and that what he loses on the coal traffic becomes for him a gain on the transportation of high-class freight, the product of the mills and factories which the distribution of the coal renders possible. The railway manager adjusts his charges upon coal with a view to the development of industry in the territory contributing freight to his railway rather than according to the cost of transporting coal.

The same line of reasoning is pertinent, even in a higher degree, to the transmission of intelligence, because the means of diffusing intelligence is an essential consideration of growth and development. As the distribution of coal, which is latent manufactur-

ing power, is essential to the upbuilding of manufactories, so the diffusion of intelligence is a fundamental condition of all social and industrial evolution. The meaning of all this is evident. When the Government, in considering the question of compensation for carrying mail, finds it necessary to classify the mail service in the general schedule of services rendered, it will, if it accept the principle of public utility as the ruling consideration, conclude that the transportation of mail should be classed among those services which minister to the development of the process of production rather than to the satisfaction of wants through the transportation of the products. Of all things transported by rail intelligence is the most essential to social and economic advantage, and on this account is in the highest degree amenable to the consideration of public utility (p. 196).

* * * The position of this report is that the private interest in railway charges is limited to the claim that the gross revenue of railways should be adequate to cover operating expenses, fixed charges, and a fair return to stockholders; but this sum having been guaranteed, the manner in which this gross amount is collected from the shippers is a matter of public policy and not of private interest.

* * * The application of the principle of public utility classifies mail transportation with freight; it classifies it among the fundamental or social services of railways and it justifies an unusually low rate upon mail transportation, provided this is essential to rendering the important service undertaken by the postal department, and provided that by this adjustment the gross revenue to railways is not so far depressed as to deprive investors of property. (S. Doc., vol. 9, Railway Mail Pay, p. 197.)

These quotations from Prof. Adams state the principle clearly. In brief, it is that the Postal Service has a sovereign character and its administration must be such as to safeguard the enduring and collective, rather than the temporary and personal, interests of the people; that because of the quasi-public character of railways the Government has the right to regulate charges according to the principle of public utility.

The railroads undoubtedly have the right to receive reasonable compensation for mail service, "but, on the other hand, the Government has the right to insist that the transportation of mail is an essential social function; that it is imperative not alone to the present advantage of the public but to the healthful and permanent development of the State. It has the right openly, publicly, and without apology to put in practice, in the interest of the public at large, a rule universally acknowledged by railway men in the development of their property." Railways are willing to carry special commodities at very low rates, even at the risk of incurring loss, because they are potential in industrial development and the loss thus incurred becomes a gain in the transportation of other commodities which the distribution of the one renders possible. In the same way the transmission of intelligence is an essential consideration in the growth and development of the country which sustains the railroad, and without which railroad construction and operation would be of small practical importance. Such transmission is amenable in the highest degree to the consideration of public utility and justifies an unusually low rate for mail transportation, provided that by this adjustment the gross revenue of railways is not so depressed as to deprive investors of property. That such depression would not result from any reasonable reduction from a commercial rate is apparent from a consideration of the very small per cent mail earnings are of the total operating revenues of railways, constituting in 1910, even at the rates paid, only 1.78 per cent.

No railroad of any importance could be successful in its operations without the regular, certain, and speedy transmission of the mails over its line. It is a truism which no one will controvert, that practically all commercial and industrial enterprises, as well as social

intercourse extending beyond the neighborhood, depend absolutely upon the mails. As the community thus primarily depends upon the mails, in a greater degree railroads so depend, as they must rely wholly upon the communities for whose business they are constructed and operated. It must, therefore, be apparent that no commodity transported is entitled to as great consideration in the matter of rate-making as the United States mails.

If it be argued that any lowering in the rate for mail service must be met by an increase in other rates, it may be replied: (1) That this is true from a practical point of view only where the reduction is below "out-of-pocket" expenses; (2) that the same objection may be made against every correspondingly low rate on other commodities; and (3) that in the case of the mails if it were necessary to make up a deficiency from other rates approximately the same interests which receive the direct benefits of the mail service by the railroads would be those who would contribute to supplying such deficiency through other rates.

Specific instances of lower than commercial rates for services which contribute to the prosperity of railroads or which are potential for business and prosperity in the communities which they serve may be found in the low rates given the Department of Commerce, Bureau of Fisheries, for the transportation of its fish cars. These rates range from 7½ to 30 cents per mile, principally 10, 15, and 20 cents, including five attendants for each car, generally. In regard to rates paid, the acting commissioner, among other statements, says: "It is believed that most railroad companies realize the value of having the waters contiguous to their lines stocked with fish, and have granted the bureau comparatively low rates." (Hearings, p. 969.) Again, the Director of the Bureau of Standards, Department of Commerce, with reference to the charges paid by the bureau for the transportation of its car devised for the purpose of testing railroad track scales, states, among other facts, that no charges have yet been paid by the bureau for the transportation of this car, although several bills have been rendered on the basis of 8 cents a car-mile for moving the car, etc.; and, further, "the whole question of tariff for moving the car belonging to this bureau is now being considered by the American Railway Association, and none of the bills submitted will be paid until the negotiations with the American Railway Association have been concluded. At the present time they are considering the proposition of moving the car between certain points in each State free of charge, and then charging 10 cents per mile for movement within the several States." (Hearings, p. 972.)

If it is of such consideration to the railroads to have the waters contiguous to their lines stocked with fish, how much more important is it to them to have the mails carried to all their patrons and institutions of business upon whom they depend for their very existence.

In considering this principle in connection with the possible credit to the Government in the matter of mail rate, it should be remembered that any reasonable rate for mail service will be far in excess of the "out-of-pocket" expense. Even the pro rata share of general expenses assigned to the mail service on the basis of car-foot miles, as shown in Document 105, in addition to actual and direct expenses for that service, will be far above an actual "out-of-pocket" cost. Such an apportionment includes a pro rata participation in expenses

which must continue whether the mails are carried or not, and such shares are contributions above actual "out-of-pocket" expense to general expenses of the railways. With even more force this may be said of any participation in dividends, interest on funded debt, etc.

Attention is invited to the statements of Mr. Lorenz (Hearings, p. 789) upon the subject of "out-of-pocket" costs and a comparison of them with "total operating expenses, taxes, and a fair return on investment." In his letter on the subject, set forth on the page above referred to, he quotes the Interstate Commerce Commission as follows:

However, it should be borne in mind that the costs as here figured include practically all of the costs except return upon capital account. It has been roughly estimated that of the total costs only about 50 per cent are what may be termed out-of-pocket costs—that is, the cost of fuel, wages of crews, and repairs of locomotives and cars. The other 50 per cent is made up of salaries of general officers, way and structure account, etc., to which the carrier would be subject, whether or not the particular commodity moves. In other words, when the carrier claims that the cost of moving the coal is 4 mills the actual outlay on the part of the carrier for the particular business is not much in excess of 2 mills.

Anything above the out-of-pocket cost of handling is a contribution to general expenses, and to that extent tends to relieve rather than burden other traffic. (Opinion No. 2141, Louisville & Nashville Railroad Coal and Coke rates, decided Jan. 7, 1913.)

Concerning the question of out-of-pocket expenses to railroads on account of mail service, see discussion on pages 588, 589 of the hearings, and Mr. Lorenz's judgment, which stood undisputed at the hearings, to the following effect:

There is no question but what Mr. Lloyd is correct. That is to say, there is hardly any contention on the part of the railroads that the mail revenue is not as great as the additional expense caused by the mail service. They are running the passenger trains anyhow, and the extra cost of carrying the mail cars is certainly not as great as the mail revenue.

Whether these considerations above mentioned shall be given effect in fixing the rate for mail service by the railroads is a question, as stated above, of public policy, to be determined by Congress. If it be determined by Congress that they should be given weight and effect, it would seem that in view of all the advantages to the railroads and to the communities which they serve a material reduction below a commercial rate would be reasonable. In this connection Postmaster General Burleson says, in his annual report for 1913, pages 21 and 22:

The determination of what shall be the basis for ascertaining a fair rate of compensation for carrying the mails is not free from difficulties. From a careful consideration of the subject it becomes evident that the carriage of the mails by the railroad companies for the Government can not be considered as of the same character of service as that performed by them as common carriers for the general public. The railroads have received certain benefits from the States from which they derive their corporate existence, and their interstate commerce is subject to the regulation of the Federal Government. Some of them have received substantial aid from the Federal Government by grants of lands and otherwise. They are declared by law to be post roads. As mail carriers they are agencies of the Post Office Department and are performing a governmental function. The postal business is not carried on by the Government for profit but in furtherance of the constitutional power to establish post offices and post roads, under which it furnishes postal facilities to all of its citizens. The railroads, therefore, may not deal with the Government as they would with a shipper who uses their facilities as a common carrier for profit or for some special advantage. Furthermore, the general business which sustains a railroad is to a large extent dependent upon the mails and their certain and expeditious transportation, and the carriage

of the mails by the railroad contributes to its prosperity to an extent and in a manner which does not obtain for any other class of its business. From these and other considerations it follows that rates for carrying the mails on railroads should be less than those which might be fixed for commercial business.

COST OF SERVICE AS A GUIDE IN DETERMINING FAIRNESS OF RATE UNDER COMMERCIAL PRINCIPLE.

The plan of the inquiry made by the Post Office Department, the results of which are stated in Document No. 105, was to make an ascertainment of the cost to the railroads of conducting the mail service by dividing the total operating expenses of the passenger service (direct and apportioned) between the mail, express, and passenger services on a common unit basis of space devoted to these several services. The principle was eminently fair to the railroads, because, although many general expenditures would continue to a large extent in the absence of the mail service, yet it was made to participate to the extent of its car-foot miles percentage in all which could have any relation to it. The idea of cost as a basis for rate making appears to be clearly contemplated by the statute of 1879, under which the inquiry was made. It authorizes the Postmaster General to require railroad companies to submit data relating to their operating receipts and expenditures as may be deemed necessary in his judgment "to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same."

There was considerable testimony by individual representatives of railroads questioning cost as a method of ascertaining the adequacy or inadequacy of rates, although others declared it to be a proper gauge for that purpose. Among the latter were Mr. Buckland, of the New Haven, who said, "I think that the principle of additions to profits beyond operating cost and fair charges against the capital expenditures could be easily developed" (Hearings, p. 275); Mr. Worthington, of the Southern Pacific, who said, "There is no reason why the adequacy of the pay as a whole can not be gauged in some way at an estimated cost, but I would not say that as a practical rate-making proposition" (p. 348); and Mr. Peabody, of the Santa Fe System, who said that on his system they use the cost to determine whether they are underpaid and that cost is a primary factor in determining the minimum rate (p. 646).

Upon the subject of practicability of cost ascertainment, Mr. Turner, in his review of the evidence, states as follows:

> The department has attempted to fix a reasonable rate on such a basis. The railroads, on the other hand, have failed, as the testimony will disclose, even to make an effort to demonstrate the reasonableness or unreasonableness of a rate on such a basis. It is true, individual roads have figured out a cost basis not acceptable to or followed by other railroads, and only acceptable to them for their own purposes and not as a basis for railway-mail pay. Practically half of the roads seem to have a basis of accounting by which they can determine whether they are over or under paid for carrying the mails. (Hearings, p. 924).

The matter is aptly summarized by Mr. Lorenz in his memorandum in review of the testimony thus:

> The testimony taken by the committee contains much concerning the difficulties of ascertaining the cost of the mail service to the railroads, but it is safe to say that the hearings developed no method of testing the adequacy or inadequacy of railway-mail pay not resting, in the last analysis, upon some estimate of the cost of service. While cost may not be capable of that exact ascertainment which enables us to make it the sole determinant factor on which to base the rate of pay for each road, the usefulness

of a cost estimate seems clear if used merely as a general guide to help us to decide whether the fifty-odd millions which the railroads receive from the Post Office Department constitutes an excessive payment or not. (Hearings, p. 878).

Mr. Samuel O. Dunn, in his "The American Transportation Question," discusses extensively the element of cost of the service as a factor in rate making (pp. 1 to 18, inclusive). On the general subject of cost he points out the inconsistency of the railroads in insisting that cost is not a factor, yet attempting to defend attacks on the rates by computations on cost, but deprecates the lack of uniform bases on which calculations have been made and their shifting and changing character as different cases arise or questions are presented in different courts. An instructive discrimination is also made between average total cost of the service and additional expense, which is well worth considering in connection with the carriage of the mails. In this connection he says:

For the words "cost of service" do not always mean the same thing to him and others, or even to him at different times. If he is considering what is the very lowest rate he can afford to make, he thinks only of the *additional* expense that handling the additional traffic will cause. The additional cost of handling certain traffic may be but 4 mills per ton per mile; if the traffic manager can get it with a rate of 5 mills *and no more* it is worth having at that rate. But if the road's *average* cost of handling all traffic is 8 mills, obviously he could not take all traffic for 5 mills. Since he must get an average of 8 mills he makes all traffic that can not pay that much pay as near it as it reasonably can, and then offsets the traffic which can not pay the average cost with traffic that is required to pay more than the average cost. (The American Transportation Question, p. 16.)

In the paper entitled "Certain considerations in railroad rate making," supra, presented by Hon. Balthasar H. Meyer, a member of the Interstate Commerce Commission, before the American Economic Association, he discusses the elements, including that of cost of the service, which enter into rate making. He contends that it is a factor equally fundamental with the value-of-the-property factor, and although recognizing the difficulties and uncertainties involved pleads for the application of cost accounting to railroad transportation as an aid to proper rate making.[1]

Mr. Frank Hay Dixon, professor of economics at Dartmouth College, in discussing Mr. Meyer's paper, mentions the use of cost estimates by the railroads in their contention before this joint committee for increase of mail rates. He says:

Elaborate cost studies have been made from time to time, notably in the application now making to Congress for an increase in mail pay. (Railway Age Gazette, Jan. 9, 1914, p. 72.)

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[1] A second factor equally fundamental with the value of the property factor, which I believe will be employed very much more in the future, is that of the cost of the service. A great variety of statistical analyses have heretofore been made, but systematic efforts directed toward the ascertainment of the approximate cost of the service have, generally speaking, been strangely neglected. A small minority among those dealing with rate problems have long advocated it, but their plans have been thwarted by the skepticism and unwillingness of a persistent majority. There are those who have opposed the development of statistical investigations along the lines of cost because they assert the results are bound to be misleading and unreliable. Others confess a fear that information of that kind will be misused. Others declare that it will result in the establishment of rigid distance tariffs, with attendant chaos in the industrial world. Still others maintain the view that the cost of the service has nothing to do with the rate either in general or in particular. The combined weight and influence of all these objectors has thus far been sufficient to obstruct substantial progress.

It is a fact of common knowledge that so-called cost accounting has been applied to every important branch of industry except steam railway transportation. A prolific literature upon the subject has been produced within the last decade, and competent specialists in all branches of business are prepared to give these principles practical application. The railways themselves have made limited application of the principles of cost accounting to more than one-half of the railway mileage in the United States. They declare, however, that this has been done for internal corporate administrative purposes rather than with a view of assisting in the establishment of just and reasonable rates. The difficulties of separating operating expenses among the various branches of the railway business are as apparent as the benefits of the final results are clear to those who are willing to undertake the task. It is perfectly obvious that controversy

While in a strict cost-accounting system the subjection of the mail service to a cost ascertainment and a participation in payment of dividends, interest on funded debt, etc., as above indicated, upon a flat pro rata space basis is most informing, it must be conceded that it is a severe test for making a rate for such a specially conditioned commodity, and we should be careful that it be not given undue weight in support of a high rate. The general principle would appear to be useful as a guide in considering the adequacy or inadequacy of a rate for a commodity, the transportation of which is among the principal objects and functions of the railroad. But for the purpose of rate-making for so specially a conditioned business as mail service, which can be relinquished by the railroads without reducing their operating expenses proportionally with the consequent loss of revenue, it need not be given controlling weight to sustain high rates. The transportation of the mails is not the prime object of railroading. No railroad was ever built with the purpose in view of transporting the mails. Such transportation forms but a small part of their business, represented by only 1.78 per cent of the total revenue of all the roads of the country, although it contributes to the railroads' prosperity in much greater degree. Therefore, even if it were shown that in this complete participation on a flat pro rata space basis the railroads were receiving less than such aggregate estimated cost, it would be no sufficient argument for concluding that such rates were noncompensatory and that the railroads were underpaid.

Apparently in line with this is the decision of the Interstate Commerce Commission in Opinion No. 2408, in the cases of the express companies. The Great Northern Express Co. and the Great Northern Railway Co. filed with the Interstate Commerce Commission tables which produced the results of an apportionment of railway operating expenses on three bases, namely, that "used by the principal carriers in the country," that used by the Postmaster General in the preparation of the data published in House Document 105, and the "so-called Buell system," for the purpose of showing that the proposed reduction in express rates would not produce a sufficient rate to the railroads. The Interstate Commerce Commission say as follows:

The respondents have attempted to show that the proposed rates will not provide a reasonable return to the railroads, the position taken being that even the existing rates do not give adequate return to the railroads, in addition to the expenses of the

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respecting the apportionment of maintenance of way items, for instance, can never end. Is this, however, sufficient reason for refraining from undertaking a work which is so promising in beneficial results? There exists surprising similarity in the methods employed by different railway companies in apportioning certain common or overhead expenses. This similarity appears to have been brought about without previous conference and agreement and is apparently the result of similar conclusions arrived at by men working at the same problem independently of one another. However, I am not suggesting that methods and rules which are now found to be common to several railway accounting departments are necessarily those which commissions should accept or prescribe. If cost accounting is not to be applied to railway transportation until every refinement has been settled by unanimous consent of the accountants, we shall never get anywhere. Institutional reforms are rarely effected from within, and the railway is no exception. If such a rule were to be applied to the assessment and collection of taxes, the government of every civilized country in the world would be obliged to cease its activities for want of revenue.

A new system of express rates is about to be put into effect throughout the United States. It inaugurates a revolution in the conduct of the express business. It is a carefully considered experiment, the exact outcome of which no one can predict with full confidence. How will any one be able to draw a conclusion at the expiration of a definite period of time regarding the financial results of the operation of the express companies without approximating a segregation of the expenses incurred by the railroads on account of the express business. Railway mail pay is the object of periodical controversy. Does not that involve essentially the same fundamental accounting questions? Passenger rates are an issue in different States in various parts of the country. How can these controversies be properly and justly settled without some reference to the cost of conducting the passenger business? One might suppose that the railways in this country would fairly vie with one another in producing the most scientific cost data in regard to their respective operations which the best talent can compile. With a few conspicuous exceptions, the exact contrary is the fact. (Railway Age Gazette, Jan. 9, 1914, pp. 70, 71.)

express company and the expenses which the railroads have arbitrarily assigned for the purposes of this controversy to their express operations. This contention, however, is based upon theories and assumptions to which the record gives no support such as the adoption of an arbitrary and theoretical basis for the apportionment of railroad expenses between passenger operations and freight operations, and the further adoption of a like basis for the allotment of passenger-train expenses between passenger service, baggage service, express service, and mail service.

The conclusion which the commission is asked to reach upon these theoretical arguments would demand the condemnation as noncompensatory and burdensome to other traffic of a multitude of rates established by the railroads for transportation of property on passenger trains. It would also force a further conclusion that the present express rates would in many cases be subject to condemnation as unreasonably low, for the reason that the railroad's share of such rates is insufficient to meet the expenses thus arbitrarily apportioned and give a reasonable return on the property values which the railroads serving these respondents ask to have arbitrarily assigned to the express service.

The commission rejected the statements, because they were based upon theories "to which the record gives no support." Apparently the companies did not support by evidence the divisions submitted. This is sustained by an examination of their statement, in which they refer to the commission's familiarity with the different bases for the division of operating expenses, etc., which "precludes a detailed explanation of the basis of division of each item of expense." But the particular part relevant to the point under discussion here is the statement that the method "would demand the condemnation as noncompensatory and burdensome to other traffic, of a multitude of rates established by the railroads for transportation of property on passenger trains." This is clearly the position in which the railroads are in the present controversy with respect to their contention that this severe test adopted in Document 105 proves the mail business noncompensatory.

COMPARISON BETWEEN DEPARTMENT'S ESTIMATE OF OPERATING EXPENSES, EXCLUDING TAXES, CHARGEABLE TO MAIL SERVICE, AND COMPANIES' ESTIMATES OF SAME CHARGEABLE TO PASSENGER SERVICE.

It is instructive to compare the department's ascertainment of the mail service's proportion of the operating expenses with the testimony of the representatives of the railroads as to cost of passenger service. By Table 7, Document No. 105, page 281, it is ascertained that the cost, including taxes, per car-foot mile made in the mail service was 3.082 mills. This, equated to a 60-foot car basis, would be 18.492 cents per car-foot mile. On page 882 of the hearings Mr. Lorenz ascertains from data in Table 3, Document No. 105, that the passenger-train car-mile operating expenses, excluding taxes, is 18.5 cents, subject to the criticism of the railroads on grounds mentioned.

The following table, compiled from Document No. 105, shows for the mail, express, and passenger services the relation of car-foot mile revenue; operating expenses and taxes:

| Service. | Car-foot mileage ratios. | Revenue per car-foot mile. | Revenue per car-mile, 60-foot car. | Operating expenses and taxes per car-foot mile. | Operating expenses and taxes per car-mile, 60-foot car. |
|---|---|---|---|---|---|
| | *Per cent.* | *Mills.* | *Cents.* | *Mills.* | *Cents.* |
| Mail | 7.09 | 4.144 | 24.87 | 3.082 | 18.49 |
| Express [1] | 10.66 | 3.865 | 23.19 | 3.107 | [1] 18.64 |
| Passenger and dead space | 82.25 | 4.431 | 26.59 | 3.303 | 19.82 |
| Passenger without dead space | 80.66 | 4.519 | 27.11 | 3.368 | 20.21 |

[1] Since this ascertainment the Interstate Commerce Commission has ordered material reductions in express rates from Feb. 1, 1914 which will reduce the unit revenues.

On page 882 Mr. Lorenz gives the result of the reports from 64 railroads to the Interstate Commerce Commission in 1913, who reported a complete separation of their operating expenses as between freight and passenger services by methods, however, not uniform. The average operating expense per passenger-train-car mile for all these roads taken together for the year ended June 30, 1912, was 19.41 cents. He thinks this is lower than it would have been if all roads had been included in the report.

On page 887 he considers the reports of all railroads to the Interstate Commerce Commission on the basis of the assumption that for the country as a whole the passenger service is not more profitable than the freight service, which he says is the same as saying that the percentage of expenses to revenues in the passenger service is not less than the percentage for all business together, and applying this expense percentage for all business, as officially reported, to the passenger revenues, he gets a minimum operating expense of 17.5 cents a passenger-train-car mile for the United States. He states that this is subject to the objections which he names on the page referred to and concludes that the passenger operating expense must be more.

On pages 888, 889, 890, and 891 Mr. Lorenz reviews the ascertainments of costs of the representatives of several important systems, ranging from 17.52 to 28.42 cents per passenger-car mile and distinguishes as to the reliability of the several estimates.

Mr. Lorenz concludes that uncertain as the testimony may be he thinks that 18 cents a passenger-car mile may be safely considered as the average operating expenses. It should be understood that these figures include only operating expenses.

### METHOD OF APPORTIONING UNASSIGNED EXPENSES BETWEEN FREIGHT AND PASSENGER SERVICES.

The railroads complain that the department divided the total operating expenses between the freight and passenger services by a method which resulted in too small an apportionment of unassigned expenses to the passenger service, and consequently decreased the cost of the mail service.

This complaint is based upon the railroad committee's theory that such unassigned expenses should be divided between these two principal services on a revenue-train-mileage basis, the fairness of which the department insists can not be sustained.

Upon this point the railroads' committee in their brief (Hearings, p. 728) allege that the testimony and discussion show that at present there is no generally accepted rule or formula for making the necessary assignments or estimating a close approximation of cost of any particular service; that the Interstate Commerce Commission, after attempting such apportionment between passenger and freight services, abandoned the effort many years ago; that a subcommittee of the American Association of Railway Accountants resolved that no fixed rule can be devised for division of common expenses between freight and passenger.

It is understood that the method used by the Interstate Commerce Commission, which was abandoned years ago, as mentioned by the railroads' committee, was largely the method of dividing unassigned expenses on revenue train-mileage, the basis which was urged by the

railroads during the hearings. Furthermore, the Interstate Commerce Commission has not abandoned the purpose of arriving at a satisfactory solution of the question. Upon this point Mr. Lorenz, in reply to a statement credited to Mr. Plant, of the Southern Railway, says:

> The reader would doubtless be misinformed if he came to the conclusion from this statement that cost accounting is a closed book so far as the Interstate Commerce Commission is concerned. Numerous recent decisions of the commission indicate that they are paying attention to estimates of the cost of carrying specific commodities. The commission has recently issued a formal order requiring railroad companies to state the extent to which and the manner in which they are separating their operating expenses between freight and passenger services, and, while this order does not commit the commission to any policy regarding the matter, it indicates at least that they are still open to conviction (p. 633).

The conclusion reached in the resolution of the American railway accounting officers, above referred to, was effectually disposed of by Mr. Lorenz in his memorandum (pp. 632, 633), in which we find the following among other statements:

> Mr. Plant's paper is purely destructive. In place of the post-office method, which he attacks, he gives us absolutely nothing to put in place of it as a means of ascertaining what is a fair payment to the railroads for the service of carrying the mails. The statement may be ventured upon without fear of contradiction that neither he nor any other railroad representative can suggest a method of telling whether the railroads are overpaid or underpaid for this service and demonstrate its correctness without directly or indirectly making a "cost and use" estimate.

The department fully agrees that division should not be made on any arbitrary basis, but that there should be some reason for the rule, and that such reason should approximate as nearly as practicable the element of use. For this reason we insist that the method advocated by the railroads' committee, namely, revenue train mileage, is too arbitrary and does not take into consideration the elements which Mr. Lorenz has pointed out.

Although the railroad companies' brief appears to have waived general criticism of the method used by the department in dividing unassigned expenses between freight and passenger services, nevertheless the criticism of the individual representatives of railroads before the joint committee was directed thereto and for this reason it is deemed proper to briefly speak here regarding it. The general principles governing the department's action are set forth in Document No. 105, as follows:

> In the determination of a basis for the apportionment of the remaining or nonassignable expenses of operation it was important that the method used be sound and equitable. The bases used by railroads for the distribution of nonassignable operating expenses are revenue train mileage, revenue car mileage, locomotive (including switching) mileage, the revenue, and the cost percentages of direct charge accounts. Revenue train mileage, the basis most frequently used by railroad companies, is referred to by the Wisconsin commission, in its decision, page 69, as follows:
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> "The revenue train mile is the unit of work done in hauling trains between terminals, and it is the most direct unit of cost. That is, the passenger revenue train mileage is the most direct unit of those expenses which depend upon the same, and the freight revenue train mileage is the most direct unit of those expenses which depend upon this mileage. This is an important distinction, for the passenger train mileage differs materially in cost as well as in many other respects from the freight train mileage. * * * They evidently assume that passenger and freight train mileage stand for substantially the same thing, and that this is the proper unit of all expenses. Even a superficial analysis of the facts will show that this is not the case."
>
> The revenue car mileage is not a correct one for the division of expenses of large carriers because of the disparity existing between the weight and number of cars operated in the two classes of service. Locomotive (including switching) mileage is only applicable to a limited number of accounts, the charges to which depend upon

the locomotive movement. The revenue earned by the two classes of traffic is used as a basis for the division of operating expenses by many roads, but is not a correct basis. The direct charge cost percentage basis is a cost accounting method of apportioning expenses used by large manufacturing concerns, and is indorsed by expert accountants. In brief, the method consists in the determination of the known parts of the expenditures chargeable to the several departments or to the direct operations of manufacture and in apportioning the unknown parts of the expenditures to the several departments or operations in accordance with the cost ratios of the known expenditures. In the method followed by the department all of the bases referred to, with the exception of the revenue basis, were made use of where applicable.

On pages 8, 9, 10, 11, 12, 13, and 14 of Document No. 105 will be found a detailed statement of the manner in which the accounts were handled in making the divisions.

The formulas there given are the result of the best thought and study of reliable authorities which could be found by the department's officers.

As against this rational effort the railroads' committee present to the joint committee the more arbitrary method of dividing unassigned txpenses on the basis of revenue train miles.

In support of their plan Mr. Peabody, of the Santa Fe System, presented at the hearings (pp. 467 to 489, inclusive) several decisions relating to the use of revenue train mileage for the purpose of such division. He referred to the case of Trust Co. of America, complainant; Chicago, St. Louis & Peoria Railroad Co. of Illinois, defendant: in chancery, in the United States District Court for the Southern District of Illinois, claiming that the opinion of the court sustained the master and indorsed "unqualifiedly the train mile basis," and that the only opponent among the witnesses to such basis was Mr. C. W. Hillman.

In the first place, the master, as shown by the record of the case itself on page 480 of the hearings, did not so unqualifiedly indorse the plan, but instead, comparing it with the method used by Mr. Hillman, stated it was "admittedly inaccurate," but he accepted it as being only one yardstick instead of many yardsticks also inaccurate "and without other sanction than an individual opinion." He further stated that the weight of testimony in the case was in favor of the petitioners.

It is thus seen that the master was forced to decide between the train-mileage system, supported by the testimony of a number of railroad men and which was opposed by the opinion of one, Mr. Hillman. The decision, therefore, was in favor of the weight of evidence.

When the Minnesota rate case was considered by the Supreme Court of the United States that court did not pass upon the method of division between passenger and freight expenses.

The decision in the lower court against the Hillman plan can have no weight before this joint committee unless it can be shown that his plan was substantially the plan of the Post Office Department used in preparation of House Document No. 105. This can not be done. As a matter of fact, the plan was substantially different from the department's plan. A careful review of his method employed in the division of those accounts, which could not be directly allocated, discloses the fact that while he follows the conclusions of the Wisconsin Railway Commission decision in Buell *v.* The Chicago, Milwaukee & St. Paul Railway Co. in certain accounts, he does not use the method adopted by the Post Office Department and presented by the

Wisconsin commission as upheld by the weight of opinion of the experts in railroad accounting, quoted on pages 97 and 98 of the report of the railroad commission of Wisconsin.[1]

The method adopted by the department, which is supported by the evidence in the Wisconsin commission decision, was based upon the known expenditures chargeable to train movement in conducting transportation; that is, the business of the railroad as a train unit. The result of the use of this basis in dividing the unassignable operating expenses is to bring the passenger and freight expenses, respectively, into proportion with the known ratios of transportation costs of the respective services, instead of using a traffic estimate of service such as the revenue train mileage, or a weight arbitrary, such as that used by Mr. Hillman.

As stated by the Wisconsin commission and quoted in House Document 105, on page 8, the revenue train mileage is a just basis for dividing the unassignable expenditures providing the relative cost of passenger and freight movement is the same; in other words, if the passenger and freight train mileage stand for substantially the same thing, it is a proper unit, but this is not the case. The proof of this fact is amply demonstrated in the reports of the railroads to the department for November, 1909, and as set forth in Exhibit A.

The revenue train mileage as a basis having been urged upon the railroad companies by the railway mail pay committee, and the reports to the department showing conclusively that it was used extensively, if not exclusively, in separating the unassignable expenses, led to the investigation by the department as to its accuracy. The result proved that the assumption of the railway mail pay committee "that a passenger train-mile costs the same to run as a freight train-mile" was contrary to fact. This condition in the relation of passenger and freight traffic was the principal determining reason for the adoption by the department of a method which was capable of producing results more nearly approximating the correct relation between the actual known expenditures for the two classes of traffic.

The principle involved in the department's division of expenses is stated by the Supreme Court of the United States in the Minnesota rate case to be the true principle upon which a division of values of properties should be made.[2] While this is said with reference to division of property values it is equally true in principle with reference to division of common expenses.

Practical examples of the results in applying the revenue train-mile basis for division of all unassigned expenses will at once disclose its unreliability. These may be found in the memorandum hereto attached, marked "Exhibit A," entitled "Department's method in

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[1] Mr. Hillman used a method for ascertaining the proportion of the expenses for maintenance of way and structures chargeable to passenger traffic which was based upon weight and mileage, according to a formula including car miles, car weight, weight of passengers, express and mail, and engine-ton mileage, and assuming an arbitrary of 300 pounds, representing one passenger and the factors of express and mail weight. This formula was used for dividing that part of the item involved in the wear on account of traffic. The portion of the item involving depreciation on account of weather he divided in pro ratio to the respective freight and passenger earnings.

With the exception of two items, namely, ballast, and roadway and track, the proportions assigned by Mr. Hillman to traffic wear differ materially from that used by the department. However, in dividing the general expenses his method was identical with that of the department. In other words, Mr. Hillman used his own discretion in regard to the several percentages, both in regard to the proportion between traffic wear and weather and the proportion between freight and passenger for the accounts of maintenance of way and structures. The department followed the consensus of the opinion of the experts quoted by the Wisconsin commission.

[2] In support of this method it is said that a division of the value of the property according to gross earnings is a division according to the "value of the use," and therefor proper. But it would seem to be clear that

separating the unassignable operating expenses of railroad companies unjustly criticized by the railroads, who have offered no valid criticism of the actual apportionment made by the department."

THE CHARGE OF SPACE TO THE MAIL SERVICE.

In no part of the presentation of the railroads is there more error than in their brief concerning the question of "dead space" set forth on pages 722 and 723 of the hearings, where the following statements are found, namely:

The Post Office Department now concedes that Document No. 105, through erroneous treatment of so-called "dead space," underestimated the pay due the railways.

The Post Office Department, in addition to admitting that Document No. 105 should be revised in order to make a reasonable allowance for a just return on invested capital, also concedes that the so-called "dead space" was erroneously treated, with the result of underestimating the compensation fairly due the railways.

Messrs. Joseph Stewart, C. H. McBride, and A. N. Prentiss, for the Post Office Department, and Messrs. H. E. Mack, V. J. Bradley, and H. P. Thrall, for the railways, agreed upon the following, which was submitted to the joint committee under the date of March 15, 1913:

"The differences between the car-foot mile earnings by the two calculations are due entirely to the fact that the Post Office Department, upon receipt of the data as to space from the railroads, made certain modifications therein, based upon the space deemed by the Post Office Department to be necessary for its purposes and upon its rules with respect to assigning other space reported by the companies as mail space, which resulted in a reassignment of the car-foot mile space to the different subdivisions of passenger-train service." (Testimony, p. 324.)

The above specifically and by inference incorrectly states the facts. The Post Office Department did not by the letter referred to or at any other time concede that the "dead space" tabulated in Document 105 and charged to the passenger service was erroneously treated with the result of underestimating the compensation fairly due the railways. The facts are simple and do not justify misunderstanding. The chairman of the joint committee requested representatives of the department and of the railroads, respectively, to consider the differences in the statements of revenue per car-foot mile received by the railroads from the mail service and from other passenger services, as computed by the department and the Committee on Railway Mail Pay, respectively, there being a difference between the two results. A committee consisting of the Second Assistant Postmaster General, Messrs. McBride and Prentiss for the Post Office Department, and Messrs. Mack, Bradley and Thrall, for the railroads, gave consideration to the matter and submitted a reply in writing to the effect that the difference between the two results reached by the two calculations

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the value of the use is not shown by gross earnings. The gross earnings may be consumed by expenses leaving little or no profit.

It is not asserted that the relation of expense to revenue is the same in both businesses; on the contrary, it is insisted that it is widely different.

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If the property is to be divided according to the value of the use, it is plain that the gross earnings method is not an accurate measure of that value.

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When rates are in controversy it would seem to be necessary to find a basis for a division of the total value of the property independent of revenue, and this must be found in the use that is made of the property. It would seem that, after assigning to the passenger and freight departments, respectively, the property exclusively used in each, comparable use units might be found which would afford the basis for a reasonable division with respect to property used in common.

It is sufficient to say that the method here adopted is not of a character to justify the court in basing upon it a finding that the rates are confiscatory. (Minnesota rate cases, 230 U. S., 459, 461.)

was "due entirely to the fact that the Post Office Department upon receipt of the data as to space from the railroads made certain modifications therein, based upon the space deemed by the Post Office Department to be necessary for its purposes and upon its rules with respect to assigning other space reported by the companies as mail space, which resulted in a reassignment of the car-foot mile space to the different subdivisions of the passenger-train service." The full letter is set forth on page 324 of the hearings. There is nothing in the language used which will justify the conclusions that the Post Office Department's representatives conceded that the space so reported by the railroad companies and unchecked by the Post Office Department as deemed "to be necessary for its purposes and upon its rules with respect to assigning other space reported by the companies as mail space" was the proper space to be used as representing the mail service. The purpose of the letter was merely to state to the chairman *the reasons* for the difference in the results obtained by the railroads' committee and the Post Office Department. This must be well known to the representatives of the railroads who signed the letter, for the representatives of the department declined to sign any reply until it was so worded as in their opinion would make it perfectly clear that no concession as to the correctness of the railroads' claims of erroneous assignment of space was made in the letter by the department. It is therefore difficult to understand why this statement is made in the brief of the railroads' committee.

All arguments, therefore, based upon any assumed concession of the Post Office Department that the unchecked space as reported by the railroad companies for mails were correct must fall.

For the above reasons the conclusion reached by Mr. Turner that the department and railroad representatives referred to "met and on March 15, 1913, reported that the earnings per car-foot mile in mail service were 3.37 mills and in passenger service 4.34 mills" is incorrect, and all the argument based by him upon the assumption made must be dismissed from consideration. (Hearings, p. 961.)

Equally erroneous is the assumption made in the railroad committee's brief (Hearings, p. 723) in this same connection, as follows:

> The foregoing shows that unless the modifications referred to were justified, additions to the estimated payments under the proposed system would have to be made corresponding in extent to the erroneous changes. In his letter of January 9, 1913, already quoted from herein (hearings, p. 721), Postmaster General Hitchcock conceded, in effect, that these modifications ought not to have been made as to railway post-office cars, by saying—
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> "I am willing to recommend * * * that in computing the car-foot miles the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction." (Preliminary Report, p. 96.)

As a matter of fact the cases covered by Postmaster General Hitchcock's letter are not such cases as are involved in the difference between the results reached by the railroads' committee and the officers of the Post Office Department. The language of Mr. Hitchcock's letter is that he is willing to "recommend the following in connection" with the proposed plan submitted in House Document No. 105 for readjusting railroad mail pay, namely: "That in computing car-foot miles the mail service shall be charged in both directions for a line of railway post office cars with the maximum space authorized in either direction."

As will be seen hereinafter, this referred to cases where because of a difference in the authorization of railway post office cars in the two directions a doubt had arisen as to whether under the new plan proposed the railroad companies would receive credit in both directions for the maximum space authorized in either direction. Its purpose was to remove all doubt upon this point and to agree that the rule should be written in the statute in order that it could not be questioned. It was not an admission that the allowances made in Document 105 had been erroneous in such cases. A consideration of the rules followed by the department in tabulating space, set forth hereinafter, will make this entirely clear.

Mr. Turner's conclusions on page 961 regarding dead space reported by the railroads as chargeable to mail service but charged against passenger service, made in connection with quotations, is therefore erroneous. The inference to be drawn from the argument set forth is that the amount of car-foot miles named, which covers the haul of dead space, was admitted both by Mr. McBride and Mr. Hitchcock as having been erroneously charged to the passenger service. Mr. Hitchcock did not make any such admission, and it is only necessary to refer to his letter and to consider it in connection with what he said above and also in connection with the instructions of the department which governed the tabulation of space to make this entirely apparent.

The opinion of Mr. Lorenz, as quoted on page 961 by Mr. Turner in connection with the dead space, I think, should be considered in connection with a misunderstanding apparently existing regarding what constitutes the dead space reported in Document No. 105. It would appear that he did not have in mind the instructions which governed the tabulation in accordance with which the railroad companies received credit for extra space in railway post-office cars where such operation was made necessary by the mail service, and could not have been aware of the fact that the larger part of the dead space represented railroad operations for the convenience of the railroad companies and only indirectly incidental to the mail service.

It is pertinent to now inquire what space largely constitutes the item called "dead space" reported in Document No. 105 and how it was operated by the companies. In order to understand this it is first necessary to fully consider the instructions and rules adopted by the Post Office Department to check the reports of the railroad companies of space necessary for the mail service. These rules were as follows:

*Closed-pouch space.*—The following basis for the estimate of the space in baggage cars devoted to mail service for closed pouches during the month of November, 1909, in connection with the railroad companies' reports, will be observed:

For 100 pounds or less, allow 6 linear inches.

For weights above 100 pounds and not exceeding 200 pounds, allow 10 linear inches.

For weights above 200 pounds, allow 5 linear inches for each additional 100 pounds.

The weight will be ascertained by multiplying the maximum number of pouches and sacks reported by the company as carried at any one time by the average weight of pouches and sacks as shown by the report of the General Superintendent, Railway Mail Service, upon the actual weighing for 10 days of closed pouches on express trains, namely, 20 pounds.

*Apartment car space.*—Where the railroad reports cars longer than those authorized by the department, enter the authorized length in column 11, form 2601, and enter the excess space in an additional column to be headed "Linear feet of the cars—dead

space," and its car-foot mileage to be computed and entered in another additional column headed "Car-foot mileage—dead space."

*Railway post office car space.*—Where the railroad company reports cars longer than those authorized by the department, the cases may be one of the following three characters:

*Full line authorized with maximum pay.*—Where the space reported is greater than that authorized by the department, enter the authorized length in column 9, form 2601, and the excess space in an additional column marked "Linear feet of cars—dead space" and compute the car-foot mileage on the dead space and enter it in another additional column, marked "Car-foot mileage—dead space."

*Agreement lines.*—These cases are where the department authorizes a full line of cars (as, for instance, a 60-foot line), and the company operates such sized cars in both directions, but the department pays a rate equal to half the rate for a full line of the maximum length, plus one-half the rate for a full line of minimum length (as, for instance, pay equal to half a 60-foot plus half of a 50-foot or 40-foot line). In this case enter the length of the line, as authorized, in column 11, form 2601.

*Half lines.*—These are cases where the authorizations are for specific half lines (as for instance, half line of 60-foot cars in one direction and half a line of 40-foot cars in the opposite direction). It is usual for the company to operate the maximum length of car in both directions. If, therefore, the company reports greater length than that authorized, enter the authorized length in column 11 and the surplus space reported, if any, in another column (additional), marked "Linear feet of cars—deadhead space" and compute the car-foot mileage upon the deadhead space and enter it in another additional column headed "Car-foot mileage—deadhead space."

If a railway post-office car is reported deadhead and its running is necessary for the maintenance of the authorized car service, the space should be entered in the column "Linear feet of cars—deadhead space" and its car-foot mileage computed and entered in the column "Car-foot mileage—deadhead space."

*Milk car operated in passenger train.*—Where a milk car is operated in a passenger train, the car space should be treated as passenger-car space.

*Railway post-office cars run beyond the points between which such service is duly authorized and paid for.*—Where a company reports the operation of a full railway post-office car beyond the points between which the line is duly authorized, give credit in column 11 for the length of space necessary for apartment-car service, if any be necessary, for the extra distance for which the car is so operated and enter the surplus space in the column "Linear feet of cars—dead space" and carry the car-foot mileage for each to their appropriate columns. If no space is needed for apartment-car service over the extra distance run, enter the entire space reported for such distance in the column "Linear feet of cars—dead space" and carry out its car-foot mileage.

The space ascertained to be "deadhead space" under the foregoing rules was charged to the mail service and formed a part of the car-foot mileage percentage for that service.

It will be seen from the above:

That for closed-pouch service liberal allowance of space was made.

That the full amount of space authorized in apartment cars was allowed. When it is understood that the department does not pay anything additional for apartment-car space the conclusion naturally follows that space was not illiberally authorized. If the railroad companies, for their own convenience, chose to build apartments in cars longer than apartments are authorized and needed for the mail service, anticipating future needs and conserving future expense incident to possible changes, certainly the department should not be compelled to charge itself with this extra unneeded space. However, if there be cases where the authorization of apartment-car space is different in the two directions it would be proper to consider the claim for the maximum space just as allowance was made in such cases for full railway post-office cars.

That for full railway post-office lines with maximum pay the space authorized by the department was allowed. If the company chose for its own convenience to run cars of a greater length than those

authorized, certainly the department should not be charged with the excess space.

That for agreement lines of railway post-office cars credit was allowed for the full space on the line, although the department needed and paid for less space in one direction than in the other.

That for half lines of railway post-office cars full credit was given for the maximum length in either direction—first, in mail space for the actual authorized length in each direction, and, second, in "deadhead space" for the surplus space run over that authorized, credited to "deadhead space" and transferred to the mail service.

That for railway post-office cars run "deadhead" and necessary for the maintenance of the authorized car service full credit was given the companies for the space, the same being entered under "deadhead" and transferred to the mail service.

That for railway post-office cars run beyond the points between which the service was duly authorized and paid for full credit was given for the necessary space thus carried by the full railway post-office car beyond its point of authorization if run as an authorized apartment car, and the surplus space in the full car so run was charged to "dead space," as such operation was purely for the convenience of the railroad company, and the department should not be charged with the surplus. If no apartment-car service were necessary over the line beyond the authorized full railway post-office line, no credit was given the company, because the mail service was in no wise interested in such operation and it was not necessary for postal purposes.

From the above it will be seen that the department was liberal in allowing space for full railway post-office car service and, furthermore, as above mentioned, had actually employed the rule in the preparation of Document No. 105, which Postmaster General Hitchcock stated in his letter he was willing to recommend be incorporated in the law.

Notwithstanding this liberality of the department in crediting space the results obtained by the Post Office Department and those obtained by the railroad mail pay committee varied considerably, as hereinbefore mentioned. The reason for this is that the operations of the railroads were used by the railroad mail pay committee in making their computations without regard to the proper and equitable rules of the department, above mentioned, limiting credit for certain space. The railroad companies generally reported the space at the maximum of operating conditions, whether warranted by the needs of the mail service or not. An examination of the instructions of the various companies to their employees in regard to reporting closed-pouch space indicates that no matter what the size of the baggage car utilized, the mail service, even if the mail was very light in weight and quantity, was charged with unused space in the baggage car proportional to the amount carried. The rule of the department in regard to closed-pouch space was based upon measurements and tests made by officers of the department. From the rules regarding allowance of space for full railway post-office cars it will be seen that only in cases where the company operated cars of a greater length than authorized by the department and also where the companies, for their own purposes, operated lines beyond the authorized points was the surplus space so run directed to be charged to "dead space" and ultimately to passenger.

ANNUAL WEIGHINGS, SIDE AND TERMINAL SERVICE, AND APARTMENT CARS.

*Annual weighings.*—The contention for annual weighings of mails upon which to make readjustments of railroad mail pay, the request by the railroads to be relieved of the performance of side and terminal services, and the request to be paid specifically for apartment car space as they are paid additionally for full cars are presented for consideration in two aspects: First, by the railroad companies as a part of their proposed plan for modification of existing law relating to compensation; and, second, as elements which either entitle the companies to additional compensation for facilities furnished or necessitate undue expenditure compared with the revenue received. It is proposed here to consider them in their second aspect, leaving the first to be treated hereinafter when the railroads' proposed plan shall be under consideration.

Regarding the contention for annual weighings, the railroads claim that readjustments based on the quadrennial weighings do not adequately compensate them for the increase in weight of mails during the four-year period.

Mr. Lorenz names an estimate of $3,255,000 as covering this additional claim and includes it in the total asked for by the railroads (Hearings, p. 868). Mr. Turner, in his memorandum, reviews the contentions of the railroads in this respect, suggests an estimate of $3,000,000 as the consequent deficiency in railroad pay (Hearings, p. 912), and includes $2,900,000 as an item of underpayment (Hearings, p. 918).

In answer to this it may be said that if the rate fixed on a quadrennial weighing is not adequate to compensate for service for the four-year term, there would be merit in the railroads' contention. However, it has been shown hereinbefore that on the basis of Document No. 105 and an additional liberal charge against the mail service for participation in payments of dividends, interest on funded debt, etc., the aggregate annual payment to the railroads in 1910 exceeded the apportioned cost. Furthermore, and this is a fact which has not been heretofore presented, the compensation paid for the year 1910 was compared with the estimated cost of facilities representing a growth in the service of almost four years in the fourth contract section, of three years in the third contract section, of two years in the second contract section, and of about six months in the first contract section. The significance of this is at once apparent. The $49,000,000 compensation was composed of the pay for service in the fourth contract section fixed nearly four years prior to 1910; the pay for service in the third section fixed nearly three years prior; the pay for service in the second section fixed nearly two years prior; and the pay for service in the first section fixed less than a year prior; yet the cost of the service measured on space including the necessary growth in the several sections during these periods did not equal the amount of the pay fixed at the earlier dates. This shows clearly that the growth of the service during the quadrennial period is amply paid for under the existing plan.

In view of these facts the claim for an annual weighing under existing law appears to have no merit.

*Side and terminal service.*—Regarding the request of the companies to be relieved of side and terminal services, so far as it affects

the question of the ascertainment of cost and therefore the adequacy of present pay, the following may be stated:

The companies claim that this service is not reasonably a part of the railroad transportation service or of the service of a common carrier. Except in some individual instances they do not submit any evidence as to the "out-of-pocket" expense to themselves in performing this service. It is well known that in most cases at small stations the railroad agent is required to carry the mails to and from the post office as a part of his regular duties and receives little or no additional compensation from the railroad company for it. On the other hand, it is true that at other more important places where the companies are required to perform the service they are obliged to expend a certain "out-of-pocket" amount for the service, and on small short lines this amount proves to be a considerable part of the compensation received for the carriage of the mails.

Mr. Lorenz names an estimate of $1,000,000 as covering this additional amount and includes it in the total asked for by the railroads (Hearings, p. 868). Mr. Turner, in his memorandum (Hearings, pp. 914 and 915), estimates the cost to the railroads of approximately $500,000, and includes this amount in his computation of underpayment to the railroads (Hearings, p. 918). The department has estimated in 1909 that it would cost approximately $4,373,000 for it to take up and perform this service.

In reply to this, it may be said that, so far as existing law is concerned, the railroads are amply paid in the aggregate for this service. The testimony has not been discriminating in this respect, and it has from time to time been stated by the railroads that no allowance was made for side and terminal service. This is incorrect. The fact is that in the cost ascertainment the mails participated on the basis of car-foot miles in every expenditure for messengers, porters, and station service in which the mails were concerned, excepting where the specific amounts expended for the mail service were reported, in which cases such specific amounts were allowed. A full statement as to these credits and the manner in which they were given and the reasons therefor are set forth on page 104 of the preliminary report.

It is, therefore, evident that inasmuch as the pay exceeded the cost and proper charges against the mails, as hereinbefore stated, no additional amounts should be allowed for side and terminal service under existing law.

The history of the requirement that railroad companies shall provide for side and terminal service where the department does not make other provision runs back into the days when the principal mail transportation service was performed on star routes instead of railroads. The rule with reference to this service was applied to railroad service, and after the law of 1873 was still continued. The Court of Claims thereafter held that Congress had taken that service into consideration when they established the rates of 1873. (Hearings, p. 17.)

*Apartment cars.*—Regarding the request for specific additional payment for apartment cars, the railroads claim that they should receive specific additional pay for such space on the same basis as they now receive pay for full railway post-office cars. Mr. Lorenz estimates the annual pay for apartments on the basis of car-foot mileage shown in Document 105 as $3,690,140, and includes this in his estimated amount necessary for "correcting the inconsistencies in the

present law in the manner asked for by the railroads." (Hearings, p. 868.) Mr. Turner estimates the amount as $3,700,000, and includes it in the total which he submits as the amount of underpayment under existing law. (Hearings, pp. 916, 917, and 918.)

In regard to this contention it may be said, as in the two cases above mentioned, that it is without merit as an argument to show underpayment under present law. It seems to have been overlooked in commenting upon the facts and the evidence that the ascertainment of cost made by the department includes every possible credit which could be claimed for apartment-car service, assuming that such space was properly represented in the statistics of Document 105. In other words, the apartment-car service participated in the apportionment of cost and other charges against operating revenues in exactly the same manner and to the same pro rata extent as the full railway post office cars did, and all other space used for the transportation of mails. It is apparent, therefore, that there is no merit in the contention that the railroads are underpaid on account of apartment-car service.

It is interesting to note that the theory of the statute of 1873 (afterwards R. S., 4002) is that the rates of pay therein fixed were intended to fully cover the facilities furnished in apartment cars. That law provides that the Postmaster General is authorized and directed to readjust compensation to railroad companies upon the conditions and at the rates named, the first condition being "that the mails shall be conveyed with due frequency and speed; and that sufficient and suitable room, fixtures, and furniture, in a car or apartment properly lighted and warmed, shall be provided for * * * (railway postal clerks) to accompany and distribute the mails."

THE LAW OF MARCH 2, 1907, AND POSTMASTER GENERAL'S ORDER NO. 412 OF JUNE 7, 1907.

An argument is presented for the railroads in the memorandum prepared for them by Mr. H. T. Newcomb, statistician (Hearings, pp 59 et seq.), that because the Wolcott commission reported in 1901 that the prices paid the railroads for transporting the mails were not excessive the reductions made by Congress in 1907 and that resulting from the Executive order known as the "divisor order" in the same year, together with other reductions resulting from changes in the service, have decreased the rates of railroad transportation below a fair level.

The fundamental error in this is in the assumption that all inquiries subsequent to 1901 must necessarily be controlled, so far as the conclusion is concerned, by the finding of the Wolcott commission. It ignores the present inquiry and the radical differences between the methods followed upon the two occasions. If it be shown that in 1909 the pay to railroads was excessive what possible bearing upon the case can a previous finding in 1901 have?

Furthermore, the reductions which he has mentioned are not all reductions in pay without corresponding reduction in service requirements or such reductions as the railroads themselves regard as unwarranted from a commercial point of view. For instance, on pages 97 and 98 of the hearings, he refers to the administrative policy of pro-

curing equalized rates where there are competing lines, one of which is shorter or cheaper than the other.

The rate given the department under these conditions is purely voluntary on the part of the railroad, and no one can doubt that it regards the rate as fully remunerative, or it would not retain the mails, as the department stands ready to divert them to the cheaper line if the carrying company does not wish to carry them. Again, on page 100, he mentions the withdrawal of payments for special facilities, but does not mention the fact that the companies furnishing the trains to the South, for which this special subsidy was paid, withdrew its fast trains because they did not longer wish to maintain the schedules and voluntarily relinquished the subsidy. On pages 100 and 101 he mentions the withdrawal of envelopes, postal cards, and mail equipment from the mails, but in this case does mention the fact that this was coincident with a reduction in mail service required. If they do not carry these articles in the mails, how can it be said that railroad pay for *service rendered* has been reduced because of their withdrawal, or how does it increase the cost of service rendered except on the theory that mail service is a by-product of railroad business? Furthermore, all these articles were carried by the companies in freight trains at regular freight rates, and all companies are anxious to receive the business and spend time and money in soliciting it. On page 101 he mentions the forwarding of periodicals by freight. These articles were withdrawn from the passenger service and were carried in the fast-freight service of the companies. Again, it must be asked how it can be said that railroad pay for *service rendered* has been reduced because of their withdrawal, or how the cost has been increased thereby, unless, as mentioned above, it be on the theory that the mail service is a by-product and the withdrawal did not reduce the expense, but did reduce the surplus from it. On the other hand, they receive full and adequate pay at freight rates for carrying the same articles in freight trains, and all companies are anxious to have the business. All these items so mentioned are represented in his total of over $8,000,000 "reductions," set forth by him in the table on page 101, excepting a money value for the withdrawing of periodicals.

He further mentions two reductions in pay which do not involve a reduction in service, namely, that by the act of March 2, 1907, and that effected by order No. 412. So far as the reductions effected by these two measures are concerned, they are wholly irrelevant to the question before the joint committee for the reason, as stated above, that the premise upon which they are advanced, namely, the conclusive effect of the finding of the Wolcott commission, can not be considered.

However, as the question of the divisor has been introduced, though unnecessarily, I think, it seems necessary to inform the joint committee respecting the principle involved in order that there may be no prejudice arise from the remarks of Mr. Newcomb regarding it on page 99 and of Mr. Turner on pages 917 and 958.

When the law of 1873 became effective, the six-day-a-week railroad mail routes predominated over the seven-day-a-week railroad mail routes, both as to aggregate compensation and aggregate mileage of routes. Prior to 1907 it was the practice of the department to weigh the mails for not less than 35 or 105 days and to divide the

total weights for all the weighings by the number of week days in the weighing period, the result thus secured being considered the average weight of mails per day carried. This process produced a higher average than the true mathematical average daily weight. It produced an average for each day of 313 days in the year instead of for each day of 365 days in the year. It appears to have been a concession to the predominating feature of railroad mail service at the time the practice was inaugurated, and the same divisor was used for the seven-day routes apparently for the reason that to have used a divisor of seven days in the week for these routes would have penalized the seven-day route carrying the same amount of mail as a six-day route by producing for a seven-day route a lower average daily weight, and consequently a lower rate of pay.

This condition continued until 1884, when Postmaster General Gresham issued what is known as Order No. 44, of September 18, 1884, which directed that on routes performing service seven days in the week the whole number of days the mails are weighed should be used as a divisor, thus creating a divisor of a multiple of seven days in the week for seven-day routes and leaving the old divisor of a multiple of six days in the week as a divisor for six-day routes. This order continued in force until January 16, 1885, though no weighings occurred in the meantime. It created two different divisors, one to apply to six-day routes and another to apply to seven-day routes, and would have worked inequitably to the seven-day routes as above mentioned.

By order of January 16, 1885, Postmaster General Hatton revoked the order of September 18, 1884, leaving in force the practice begun in 1873, which continued until 1907. Between the date of the issuance of Order No. 44 and its revocation Mr. Hatton submitted an inquiry to the Attorney General, setting forth a specific example of a division of the same weights on both classes of routes *by the same divisor* and asked whether that process was the correct one. The Attorney General did not have before him any proposition to make the divisor a multiple of seven instead of six, as was afterwards done by Order No. 412. Naturally he said that the method detailed in Mr. Hatton's letter was the correct one. The *rationale* of the letter submitting the question concerned itself with the principle of using the same divisor in all cases. The question of the use of a multiple of seven instead of a multiple of six was not presented.

This condition continued until March 2, 1907, when Postmaster General Cortelyou issued an order, known as No. 165, of that date, directing that in obtaining the average weight per day the whole number of days the mails are weighed shall be used as a divisor. It will be observed that the effect of this was to restore the order of 1884 and to necessitate the use of a divisor of multiples of six days in the week for six-day routes and a multiple of seven days in the week for seven-day routes, which would have resulted in the same inequality as to the seven-day routes as above mentioned.

To correct this Postmaster General Meyer issued his order of June 7, 1907, No. 412, which directed that the average weight per day shall be obtained by using the whole number of days included in the weighing period as a divisor, which rule has continued in force to the present time. The effect of it is to require a divisor of a multiple of seven days in the week (or, in other words, the whole number of

days in the weighing period) for both the six-day and seven-day routes and, furthermore, not only to produce an *exact mathematical average for every day in the year of 365 days*, but to do the same even justice between the two classes of routes that the old divisor accomplished.

In order that the use of the several divisors may be more readily understood the following graphic examples are given:

*Effect of old divisor.*

Six-day-a-week route.

pounds
30 ) 60,000 ( 2,000 pounds average.

Seven-day-a-week route.

pounds
30 ) 60,000 ( 2,000 pounds average.

Producing in each case an average for 313 days in a year of 365 days.

*Effect of Order No. 44 (of 1884) and No. 165 (of 1907).*

Six-day-a-week route.
pounds
30 ) 60,000 ( 2,000 pounds average.

Producing an average for 313 days in a year of 365 days.

Seven-day-a-week route.
pounds
35 ) 60,000 ( 1,714 pounds average.

Producing an average for 365 days in a year of 365 days.

The rate for this average daily weight would be less than the rate for the 2,000 pounds on the six-day-a-week route, although the same aggregate weight would be carried and a more frequent service rendered.

*Effect of new divisor (Order No. 412).*

Six-day-a-week-route.
pounds
35 ) 60,000 ( 1,714 pounds average.

Seven-day-a-week route.
pounds
35 ) 60,000 ( 1,174 pounds average.

Producing in each case an average for 365 days in a year of 365 days, and the average being the same for both classes of routes.

A further correction should be noted in regard to a statement made by Mr. Turner on page 958 that Postmaster General Hatton, in a "Documentary History of the Railway Mail Service," transmitted to the Senate, strongly condemned an order similar to one which was issued and afterwards known as order No. 412. It is probably true that Postmaster General Hatton favored the six-day divisor. It is not true that order No. 44, which he revoked, was the same as order No. 412, for, as pointed out above, order No. 44 made a distinction between the two classes of routes and would have worked an injustice

to the seven-day routes, while order No. 412 treats them on the same basis and works no inequity. Neither is it correct that Mr. Hatton condemned the principle of order No. 412 in the documentary history referred to. The document was a compilation of historical facts relating to the development of the Railway Mail Service, prepared by an inferior officer as a matter of information for his superior, and among many other subjects contained reference to the then current argument in support of the six-day divisor; and its transmission to the Senate was made for the purpose of having it printed, as shown by the correspondence printed in the volume itself.

The justification for the application of the new divisor prescribed by Order 412 is found in a consideration of the conditions existing in the service in 1907 compared with those existing in the service in 1873. At the time of the passage of the act of 1873 there were in operation throughout the United States 781 railroad mail routes. On 684 of such routes the mails were carried on six days in the week, and on 97 of such routes the mails were carried every day in the week. The annual rate of compensation paid by the Government to the railroads for carrying the mails on the 6-day routes was approximately $4,703,543, and such rate of compensation paid on the seven-day routes was approximately $2,553,653. The aggregate mileage of the six-day routes was approximately 48,444 miles, and of the seven-day routes approximately 15,013 miles. (Table B, Annual Report, Postmaster General, for 1873.) In 1907, at the time Order No. 412 was promulgated, there were in operation throughout the United States about 1,394 six-day routes, and about 1,604 seven-day routes. The annual rate of compensation on the routes of the first-named class being approximately $3,253,305, and on the routes of the second class approximately $41,817,100, and the aggregate mileage of the six-day routes about 48,705 miles, and of the seven-day routes about 153,596 miles. (Table B, Annual Reports, Second Assistant Postmaster General, for 1904, 1905, 1906, and 1907.)

From this statement it will be readily seen that vast changes had occurred during the period from 1873 to 1907; that in 1873 the six-day routes represented a very large proportion of the pay for railroad mail service and a very large proportion of the mileage of route, while in 1907 the conditions were completely reversed—the seven-day routes represented a very large proportion of the transportation pay for railroad mail service and also the very large proportion of the mileage of routes. The old divisor put into effect in 1873 was an appropriate exercise of discretion of the Postmaster General in recognizing in the service at large the predominance of the six-day service upon railroads, and the application of the same divisor to the seven-day routes compensated them (in a degree comparative with service on the six-day routes) for the superior service performed by them. For exactly similar reasons the adoption of the new divisor prescribed by order 412 was a recognition of the complete reversal of the conditions in the railroad mail service throughout the country, in which the seven-day routes had taken the place, in predominance, of the six-day routes. The service of the entire country had evolved from a basis of six days in the week to practically a daily service the whole year around. Only approximately $3,000,000 out of the $45,000,000 of pay went to the six-day routes, and only approximately 48,000 miles out of the 200,000 miles of railroad mail routes operated six days only

in the week. In the exercise of his sound discretion it was appropriate and proper that the Postmaster General should adopt and apply to the new conditions the mathematically exact divisor which produced the true average for every day in the year, and thus end the recognition of a condition of service which had ceased to exist.

This is not deemed the proper forum to discuss the legality of order No. 412. The railroads have taken the matter into court. The cases are pending in the Court of Claims, one of which has been decided favorably to the railroads, but it is still pending on the motion of the Government to amend the findings of fact and a motion for a rehearing on assignments of errors of law. It is expected that the rehearing will occur in a short time and that ultimately the Supreme Court of the United States will be asked to pass upon the question.

However, if the railroad's contention should be conceded by the joint committee, or if they should finally prevail in court, and it should be decided that Order No. 412 is illegal and should not have been applied, then the difference shown in this statement between revenue and apportioned cost will be increased by the annual reduction in railroad mail transportation pay effected by the application of the new divisor. This is stated in the report of the Second Assistant Postmaster General for the fiscal year 1910 as $4,941,940 for the four contract sections for the fiscal year 1911. This would be increased during the subsequent years and at the present time would be at least $5,000,000 per annum.

## III.

### THE PRESENT PLAN OF ADJUSTMENT OF RAILROAD MAIL PAY.

At present railroad mail pay is provided for and adjusted upon the basis of the average daily weights carried over the several established railroad routes, and an additional amount is allowable for railway post-office cars when the space for distribution purposes equals or exceeds 40 feet in the car. Space for distribution purposes in apartment cars—that is, space less than 40 feet—is not compensated for in addition to the pay for the weight of mails. There are, therefore, under present law two different methods of pay for service, which cover three different conditions in the service. That is, there is pay for weight under all circumstances; there is additional pay for space, 40 feet and more, in cars; and there is pay for weight only in cases where apartments less than 40 feet in cars are furnished.

The laws respecting pay for transportation of mail on railroad routes and for railway post-office cars are set forth on pages 19 and 20 of Document No. 105.

Readjustments are made under the law allowing pay for average daily weights upon weighings in each contract section not less frequently than one in every four years. The country is divided into four contract sections, all quadrennial contracts for the several classes of services, together with the railroad service, expiring in each contract section at the same time. The weighings of mails on the railroad routes occur successively in the several contract sections. Hence there is a weighing every year in the whole service, although but one every four years in any particular section. Upon the weights of mails for each route obtained during the weighing period the average daily

weight carried over its whole length is computed, and the pay per annum is fixed according to the schedule of rates provided by law. The order readjusts the pay for the contract term of four years, subject to future orders and fines and deductions.

The statute fixing the pay for railroad transportation based on average daily weights provides certain conditions precedent to entitle the companies to full pay, one of which is that sufficient and suitable room, fixtures, and furniture in a car or apartment properly lighted and warmed shall be provided for railway postal clerks to accompany and distribute the mails. Consequently no additional pay is authorized for space to distribute the mails in apartment cars 30 feet or less in length.

The additional pay allowed for full railway post-office cars of 40 feet or more in length is ordered at the rates fixed by statute and the regulations of the department upon the needs of the service, as ascertained and reported by the field officers of the service and finally accepted by the officers of the department, in accordance with the postal regulations governing such authorizations.

Further information respecting the present law may be found in Mr. Lorenz's memorandum, pages 852 et seq., and in Mr. Turner's respecting rates, on pages 907, 908, and 909.

In the consideration of the present plan of providing rates for service, the query has been noted both by Mr. Lorenz (Hearings, p. 857) and Mr. Turner (Hearings, p. 906) as to why a proportionate rate under the law of 1873 was not made for apartment cars, or space less than that authorized in full railway post-office cars 40 feet or more in length. The thought that this omission has no foundation in the conditions of the service is no doubt further suggested by the sentence in Postmaster General Hitchcock's letter transmitting Document No. 105 to the effect that "this distinction is a purely arbitrary one and without any logical reason for its existence."

As a matter of fact there is a reason in the conditions of the service which no doubt led Congress in 1873, when that law was framed, to omit a specific rate for apartment cars, and I believe this fact to be that apartment-car space is invariably furnished the department in a baggage or other car which is run in the train for the railroad's own purposes, and the distinction was properly made in favor of special payment for cars 40 feet or more in length because such requirement necessitated the placing of an additional car in the train, no part of which was allowed to be used by the company. Attention is called to the history of the legislation set forth by the Second Assistant Postmaster General on page 107 of the preliminary report. This has been cited by Mr. Turner in his memorandum. Mr. Lorenz has submitted specifications of the defects in the present law, as viewed by him. (Hearings, pp. 854 to 858, inclusive.)

## THE SUGGESTED PLANS OF ADJUSTING RAILROAD MAIL PAY.

### THE COST AND SPACE BASIS.

The plan for readjusting railroad mail pay suggested by Postmaster General Hitchcock in Document No. 105, and his subsequent letter to the chairman of the joint committee of January 9, 1913, is set out

in full on pages 4 and 5 of said document and on page 96 of the preliminary report. In brief it may be summarized as follows:

*Summary.*—The Postmaster General shall require companies operating railroads by steam, electricity, or other motive power carrying the mails to furnish not less frequently than once in each fiscal year information relating to the service, operation, receipts, and expenditures for a period of not less than 30 days, to be designated by him, to enable him to ascertain the cost to the companies of carrying the mails and the proper compensation to be paid for the service. Upon these data he shall determine the cost to each railroad company for carrying the mails on its respective road or roads and for this service is authorized to credit, assign, and apportion the revenues and expenses of railroad companies in such manner as he shall deem fair and equitable to ascertain as near as practicable such cost. The primary separation, however, of operating expenses between freight and passenger services shall be made by the Interstate Commerce Commission. The Interstate Commerce Commission shall review the findings of the Postmaster General and affirm, modify, or revise them in any case where a company shall object to his method of crediting, assigning, or apportioning the revenues and expenses and file such objection with the Postmaster General within a specified time.

In charging mail service with its space in passenger trains it shall be charged in both directions with the maximum car space for railway post-office purposes authorized in either direction.

No credit shall be given for space in cars devoted to the distribution of the mails unless such space be authorized by the Postmaster General or unless he shall determine that its use is made necessary by a specific authorization.

Upon his findings the Postmaster General is authorized to readjust the pay to the companies not less frequently than once in each year at a rate of compensation per annum not exceeding the cost to the companies of carrying the mail and 6 per cent of such cost, and in addition to such operating expenses and taxes apportionable to the mail service to allow such additional amounts as may be necessary as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service. A minimum rate of not exceeding $25 per mile per annum is fixed.

Land-grant roads shall receive not exceeding the cost to them of performing the service.

Information shall be furnished by the roads and adjustments made by the department as nearly as practicable by accounting systems.

Additional service during the term for which adjustment is made may be authorized without additional compensation during such term.

Service may be ordered over new or additional trackage during a term and payment made for the remainder of the term on statistics for the first 30 days of service at not exceeding the average rate per car-foot mile for the system or road ascertained at the regular adjustment. Entire discontinuance of service over trackage included in the adjustment or thereafter added shall be deducted for. New service over trackage of a company not operating service under a regular adjustment may be authorized and paid for at not exceeding $42.75 per mile of trackage per annum for the remainder of the term.

The provisions of present law regarding the construction and sanitary condition of cars; the furnishing of cars; the carriage of mails upon all trains selected by the Postmaster General with the persons in charge of the same; for fines and deductions, etc., are retained and suitable provisions for carrying out the provisions of the act are included. It is further provided that it shall be unlawful for any railroad company to refuse to carry the mails at rates of compensation fixed by law when required by the Postmaster General, and a fine is provided for such refusal.

The following objections were urged at the hearings by the representatives of the railroads:

Mr. Peters, of the Long Island Railroad, admitted that by the space measure of service "a fairly reasonable comparison of the cost of a passenger train and its distribution between the passenger, the express, and the mail can be made, but for purposes of comparison only," and claimed that:

This measure, however, does not represent all the service that is performed in completing the transportation for which each class of service pays.

In support of this he points out certain differences between the services rendered the passenger, express, and mail business. (Hearings, pp. 43 and 44.)

This objection appears to overlook the fact that on an approved system of cost ascertainment the special services performed exclusively for any one branch would be charged directly to it where it could be separated from other items of like expense, and that the space ratio would be applied to the unassigned expenses in which the service participated.

He offers the further objection that the space basis plan which has been proposed would result in practically 795 rates of pay for the 795 railroads. (Hearings, p. 44.)

Under the present law there are 3,409 different adjusted rates of pay per mile per annum; that is to say, one for every route, as the law provides that the pay shall be adjusted according to schedule rates on the average daily weight carried over the individual route. This necessitates the ascertainment of a rate for every route. These rates vary for a ton-mile from $1.49 on an average daily weight of 211 pounds or less to 5.76 cents on routes carrying 48,000 pounds or more average daily weight.

Mr. Bradley, of the Pennsylvania Railroad, claims that there is no invariable relation between car space and the mail tonnage transported, but that while it is true there is no constant or exact proportion between bulk of mail carried and its attendant car space for distribution and storage, yet there is an approximate relation if the "working mail" is differentiated from the "through mail," and he thinks that the weights of mails are important prudential considerations to the department's officers and useful statistics for information of Congress and the Interstate Commerce Commission. (Hearings, p. 626.)

The department does not overlook the value of statistical information. So far as weight as an administrative check is concerned it is of very slight value. Railway post-office car space is authorized not primarily with respect to the weight of mails carried in the car, but with respect to the space needed for distribution purposes.

Mr. Logan, of the Grand Trunk Railway System, thinks the space basis would not be a fair basis to all alike (Hearings, p. 530), but admits that so far as his system is concerned it probably would be as just and fair as the weight basis. It appears that Mr. Logan thinks it would be satisfactory to his system if the rate were satisfactory, because they carry a light tonnage compared with the space occupied. He also mentions weight plus space as particularly desirable for parcel post, and states that this rule is observed by express companies and also by steamship companies in fixing rates. (Hearings, p. 548.)

Mr. Worthington, of the Southern Pacific System, states that the greatest objection to the space basis is that it places in the hands of the Postmaster General the regulation of the compensation to the railroads, and thinks that because the Government is the shipper the results would not be as fair to the railroads as under a weight basis. He further says that the Government would expect to pay the same rate per foot whether the service performed covered a full car or only a fraction of a car, and that in the latter case in freight service consideration is given to the less-than-carload lot in fixing the rate. Further, that space is not the sole consideration in fixing rates on

other classes of railroad transportation, and that weight is the principal factor, although space is also taken into account in fixing rates in freight service on bulky commodities. (Hearings, p. 351.)

So far as the objection against reposing in the Postmaster General the power to regulate the rate is concerned, it can have no valid force. The Postmaster General and those under his direction must necessarily have complete control of the service which shall be required of the railroad companies. If such service is measured by an automatic gauge of weights, the railroads claim there will be no dispute. If such service is to be measured by the space by which the department requires to properly and economically conduct the service, there can be no valid objection on the part of the railroads to the authorization of that space being wholly within the control of the Postmaster General. The department alone, and not the railroad companies, must be the judge of what the service needs.

So much for general objections found in the record. There are others which will now be considered that relate more particularly to the administration of the service. These may be mentioned briefly, as follows:

Mr. Albright, of the Atlantic Coast Line, states that aside from other considerations—

> It seems impossible to regulate the assignment of space in especially equipped cars for the postal service. * * * The present practices of the Post Office Department with respect to 40-foot and 50-foot allowances in 60-foot equipment is an illustration of the difficulty which would confront us, not only in full railway post-office cars, but in apartment cars as well, under rates based on space. (Hearings, p. 254.)

Mr. Bradley, of the Pennsylvania Railroad System, says among other things:

> But when the rate of pay is not fixed by the railroad company and when experience has shown that the officials of the Post Office Department do not see the same space for payment that the railroad officials find necessary for operation, and when experience has shown that the Post Office Department even now alters its allowances on R. P. O. car space at frequent intervals, reducing operations on 30 days' notice or even less, it is natural that a strong preference should be expressed for the more stable factor—weight of mail transported—which is less subject to mere opinion. (Hearings, p. 626.)

Mr. Mack, of the Missouri Pacific System, thinks that the adoption of the space basis would relegate the gauge of pay to the mere judgment of the officials of the service, and that this judgment would be liable to be influenced against the interests of the railroads for reasons stated by him. (Hearings, pp. 301 and 302.)

Mr. Rowan, of the New York Central, urges as objection, among other things, that it places in the hands of the Postmaster General the power of adjusting pay, and that constant friction would result between the Post Office Department and the railroads as to the amount of space used. (Hearings, p. 579.)

These objections against the administration of a space basis are often advanced in connection with the general statement that car authorizations under the present system represent about 10 per cent of the total pay and weight represents about the remaining 90 per cent of the pay received by the railroads for mail service, the inference being that if Congress adopted the space basis, the alleged difficulties arising out of contentions between the railroads and the department about authorizations would be increased approximately tenfold.

This argument rests upon a false premise. The per cent of compensation paid the railroads for cars being purely an additional rate above the weight rate does not correctly represent the per cent of authorized mail space under the present law. From Table 5J, House Document No. 105, it will be seen that the per cent of car-foot mileage represented by railway post-office car space was 46.249, for storage space 10.127, for apartment-car space 30.080, for closed-pouch space 2.821, and for deadhead space 1.723. Therefore, over 46 per cent of the entire space devoted to the mail service is now the subject of authorization under the same kind of administrative supervision as is provided for in the proposed plan. Furthermore, over 10 per cent of the space which is devoted to storage and over 39 per cent of the space which is devoted to apartment cars is subject to the same general plan of authorization—that is to say, they represent space required and authorized by the Post Office Department, but they differ from space authorized for full railway post-office cars in that no additional specific compensation is carried by the authorizations. Consequently, over 85 per cent of the space now is subject to authorization or requirement by the department for the purposes of railway post-office car service. Therefore, in discussing the probable effect from an administrative point of view of basing pay on space instead of the present system, the space now authorized should not be referred to as 10 per cent (representing merely additional extra pay for cars above weight pay), but as 85 per cent, representing the actual percentage of space, which is now the subject of direct authorization or requirement by the department. Furthermore, it is over the authorizations for 46 per cent of service represented by the space-mileage that the controversies arise to which reference has been made in the testimony.

This brings us to a consideration of the objections of the railroads. Why do controversies arise? They arise in three general classes of cases: (1) Where the railroad company contends that the needs of the mail service are greater than can be accommodated in a 30-foot apartment car, and therefore require the allowance of the additional compensation for a 40-foot car, (2) where the railroad company contends that the requirements of the service necessitate a greater authorization in full cars run than that admitted by the officers of the department, and (3) where the space needed in full cars, in the opinion of the officers of the department, is less than the authorization and necessitates a reduction. In many of these cases the railroad company is for its own operating convenience running a full railway post-office car in lieu of an apartment car, or where full railway post-office car service is authorized the company is running a larger size car than the car needed and authorized by the department. The controversies therefore referred to and dwelt on with such emphasis by the representatives of the companies are merely contentions on the part of the representatives of the railroad companies that the needs for space in the distribution of mails on trains are greater than that decided upon by the officers of the service. The officers of the service are in all these instances conserving the interests of the Government and carefully weighing the claims of the railroad companies for additional pay. It would seem that if any objection were to be considered in this connection, such objection

must come from the department; the department has not offered the joint committee any objection on this score. Furthermore, it must be admitted that the administration of the service devolves wholly upon the Post Office Department and not upon the railroad companies, and that the decision as to the facilities needed rests entirely with the department's officers. It would seem that the railroads can have no valid objection to the action of the department's officers in authorizing space either under the present system or the proposed system, excepting in those cases where the companies run, for their own convenience, a larger car than that authorized and needed and used by the department without receiving pay for the whole space used.

Under the present system of authorizing railway post-office car space, the matter is under constant supervision which requires the lines to be inspected frequently by the officers in the field and periodical reports made thereon. If the department is using more space than is paid for, the matter promptly becomes one for investigation and the authorization is made at the earliest date that those responsible for the expenditure of the appropriation can become satisfied that the space is actually needed and used. There is no question in my mind that under the general system of authorizing space and with a proper supervision and constant checking of the requirements with the authorizations, injustice would not result to either the Government or the railroad companies as a permanent condition and all inequalities would tend to be promptly adjusted in the usual course of business.

### THE STANDARD UNIT SUGGESTION.

This is a space-basis proposition. The standard unit suggestion is the designation given by Mr. Lorenz to the idea advanced by Congressman Lloyd at the hearings that there might be three standard units for cars to be authorized by the department, namely, 15, 30, and 60 feet, in addition to closed-pouch service.

Mr. Lorenz has discussed the merits and demerits of the proposition on pages 861, 862, and 863 of the hearings. He believes the suggestion has merit in directing attention specifically to "one of the most perplexing difficulties in the administrative details for any plan that uses space either in part or entirety" (p. 861). This difficulty, in brief, is the effort to make the car space "needed," the car space "used," and the car space "furnished" approximately identical. He thinks that if standard units were adopted, as Mr. Lloyd suggests, the railroads would build that size only and the department would ask for that size only and this would tend to bring more nearly together what the department would ask for and what the railroads would furnish (p. 862).

We now have standard units of 40-foot, 50-foot, and 60-foot cars, and yet the railroad companies have not in late years built many cars less than 60 feet in length, preferring to build larger cars for their own operating purposes and also because they are willing to furnish the additional space above the 40 feet and 50 feet needed until greater needs shall arise by growth of service rather than to build smaller cars and abandon them for larger ones to meet the growing

needs. This mainly results from the fact that the requirement of 40 feet or more space necessitates the placing of an additional car in the train. In other words the railroad companies apparently could not furnish apartment space of such lengths to advantage, nor would the department accept and pay for these dimensions of space except in a car devoted entirely to mail purposes, although in recent years 40-foot space has been accepted in 70-foot cars. On the other hand apartment space 30 feet or less may be partitioned off for mail uses in the baggage car run by the company for its own purposes. Where a car some part of which can be used by the company is concerned, it is apparent that the necessity or advisability of designating specific units varying widely in linear extent does not exist. This is made evident by an examination of the table showing apartment-car space of different lengths in the service set forth by Mr. Lorenz on page 862. The variation between the different sizes ranges from 3 to 5 feet. This is no disadvantage to the railroad companies. In fact it may prove a distinct advantage to them as well as to the department, because the nearer the approach is made to furnishing the space required by the department the more economical is the utilization of the remaining space by the company for its own purposes.

Upon careful analysis it will be seen that the plan proposed by Mr. Lloyd will not have the effect of removing the causes for controversy between the railroads and the department over the amount of space needed in the car for mail service, excepting in so far as it is affected by the reduction of the number of units of different sizes. There will be the same cause for controversy over what unit shall be authorized. It will be noticed, however, that a material reduction in the number of units, thereby increasing the difference in linear length of space to be furnished, will mitigate against the interests of the department, because it will often result in the necessity for authorizing greater space than that needed. For instance, with no unit between 30 and 60 feet the postal necessity for anything over 30 feet would require a 60-foot authorization, whereas with the existing units of 40 and 50 feet the department has the advantage of saving 20 feet and 10 feet, respectively, when it is not needed. It would therefore seem to be desirable to have more units than are provided for in this suggestion and to make a distinction between the extent of variation in cars used wholly by the department and in those some part of which may be used by the companies.

As this plan appears to be more or less involved in the Lorenz plan (weight, space, and distance) a further discussion of its principles will be reserved until views are submitted upon that plan.

### WEIGHT, SPACE, AND DISTANCE—THE LORENZ PLAN.

In an endeavor to supply the elements which in Mr. Lorenz's opinion the straight-space plan omits, he has submitted on pages 868 to 876, inclusive, a plan based upon a consideration of three elements—weight, space, and distance.

The department is not immediately prepared to discuss this plan. Earnest consideration is being given it, and at the earliest possible day our views regarding it in connection with further suggestions with reference to the space basis will be submitted.

THE PERCENTAGE METHOD.

The percentage plan would allow the railroads a stated per cent of the postal revenues as compensation. My opinion is that such a plan is without merit. The principal reasons therefor are stated in the testimony (p. 655) and are summarized and supplemented by Mr. Lorenz on pages 863 and 864 of the hearings.

THE PLAN OF SENATOR JOHN W. WEEKS.

In substance the suggestion of Senator Weeks is that a director of posts be appointed to make contracts with railroad companies, subject to appeal to the Interstate Commerce Commission. Mr. Lorenz has discussed the plan on pages 864 and 865 and Mr. Turner on pages 942 and 943. The objections to the plan are considered in these discussions. It would seem to present serious administrative difficulties and uncertainties. In the administration of the service the present tendency on the part of railroads is to insist on higher pay than that now allowed under the statutes, and some even threaten to discontinue the service in case demands are not met. It would seem to be inadvisable to eliminate statutory support of the department in matters of rates for a business that is strictly governmental, notwithstanding the proposed recourse to the Interstate Commerce Commission.

THE PLAN OF HON. DAVID J. LEWIS.

Mr. Lewis's plan is set forth on pages 696 to 698, inclusive, of the hearings. Mr. Lorenz has discussed it on page 865, and Mr. Turner on pages 945 to 947, inclusive. The essential features are as follows:

(1) The weighing of parcels with notation of zones of destination where railroad transportation is involved and the ascertainment of total ton-miles of such transportation. These ton-miles are to be multiplied by the rate, say 5 cents, and the gross sum paid to the railroads upon car-foot mileage of mail service performed by the roads, respectively.

This would require reports from offices on railroads and from offices dispatching direct to railroad trains, aggregating in number 40,000, if one report were made by the postmaster for the whole period of weighing. If the report extended over considerable time reports would necessarily be required by weeks at least, which would increase the number greatly. The tabulation and computations of this mass of figures would be a considerable undertaking, but not insuperable. It would be open to the objection that the reports from many postmasters would likely be unreliable, and the department would have no means of checking them. In an inquiry upon the results of which such large payments are to be directly based, it would be of the utmost importance to secure correct reports of all matter mailed on trains, and if this be left to postmasters exclusively there would be possibility of error and no check against irregularity.

(2) The plan provides for paying for first, second, and third class railway-going mail upon the basis of $43.65 per ton. There must be a weighing at the post office of all such mail for railroad transportation. These weights are to be totaled into tons for the entire country to give the gross amount of railway service rendered the ordinary

mail, and this total is to be multiplied by the ton rate to give the total fund payable to the railroads for this branch of the service. This total is to be distributed as in the other case on the basis of car-foot miles of postal service performed by the several companies.

The same criticism regarding the weighings, reports, and tabulations as made in the case of parcels applies equally to this class.

The fundamental difficulty regarding the scheme of distribution of these funds is that it presupposes that mails of both classes will be carried in the same proportion by all railroads. This is not so; there will be a great variation. There would not necessarily be any intimate relation between the mails actually carried by a railroad and the pay received on this basis. The rate paid on a mileage unit should be directly related to the service performed by that unit.

### THE PEABODY PLAN.

The Peabody plan is discussed by Mr. Lorenz on page 866 and by Mr. Turner on pages 943 and 944.

The plan is subject to serious objection. It turns the matter of rate over to the Interstate Commerce Commission and places the burden on the Post Office Department of going to court to prove the rate unjust if it has objection to it. This would practically force every case into that forum for determination and demoralize the administration of the service.

### THE BUCKLAND PLAN.

This is discussed by Mr. Lorenz on page 866 and by Mr. Turner on pages 937 to 942, inclusive.

Mr. Buckland accepts the cost basis, including the principles of additions for fair charges against capital expenditures. The manner of determining the rate, however, is essentially different from the department's plan. On the one side it attempts to specifically guarantee by statute "a reasonable remuneration for any services performed," and on the other hand requires the Postmaster General to pay such remuneration equal to the cost and the fair return, as above indicated. Any difference between the Postmaster General and any railroad company as to the amount of such remuneration is to be determined by the Interstate Commerce Commission.

This plan has the principal defects of being unspecific as to rates of pay and of placing the burden on the Postmaster General of fixing every rate at such an amount as shall be held by the Interstate Commerce Commission or, ultimately, the courts, to be reasonable remuneration. This seems to invite endless controversy and litigation over the rates fixed.

### THE PROPOSALS OF THE RAILROADS.

The railroads' committee offered no constructive plan aside from proposals for certain changes in existing legislation. Their plan is to retain the present system of readjustments based on average daily weights carried and to extend the scope of additional payment for railway post-office car space so as to cover apartment cars, as well as full railway post-office cars. They also desire to be relieved of side and terminal service, or urge that they be specially and ade-

quately compensated for the same if they continue its performance. They also ask for annual weighings.

With reference to the effect upon compensation which these three elements have, it may be said that it will necessarily be accounted for in any system which uses cost as a guide for fixing rates. Therefore, in any proposed plans to supersede the present one these objections urged by the companies to the present law, if they be valid, will be properly met.

If the present system be continued, it can not be concluded, from the showing hereinbefore made with reference to compensation and cost that any additional compensation should be allowed for any one of these items, or that the companies should be relieved of side and terminal service or given annual weighings without appropriate reductions in the present rates of pay. As to the reasons for this conclusion, attention is invited to the showing as to revenue and cost, and what is further said under the headings "Annual weighings," "Side and terminal service," and "Apartment cars," *supra.*

However, if the present system is to continue some changes should be made regarding side and terminal service, so as to relieve short lines with small pay, supplying a number of post offices along their route, from expense disproportionate to the revenue received.

JOSEPH STEWART,
*Second Assistant Postmaster General.*

EXHIBIT A.

THE DEPARTMENT'S METHOD IN SEPARATING THE UNASSIGNABLE OPERATING EXPENSES OF RAILROAD COMPANIES UNJUSTLY CRITICIZED BY THE RAILROAD COMPANIES, WHO HAVE OFFERED NO VALID CRITICISM OF THE ACTUAL APPORTIONMENT MADE BY THE DEPARTMENT.

[Prepared by Mr. Albert N. Prentiss.]

In the hearings before the joint congressional committee the testimony of certain representatives of the railroads criticized the method utilized by the department in separating those items of operating expenses which were not, or could not, for various reasons, be allocated directly to either the passenger or freight service. These criticisms may be summarized as follows:

1. It is claimed by the railroads that the department should not have made use of the report of the Railroad Commission of Wisconsin in the so-called "Buell case," as the method therein employed produces a passenger cost that is lowest or considerably less than that produced by the use of the revenue train mileage as a general basis for separating the unassignable expenses.

2. The department is criticized for attempting to make such a separation at all, and it is claimed that the data furnished by the railroad companies as separated by them should have been accepted without question.

3. It is claimed, also, that the department did not use the basis for dividing operating costs set forth in the "Buell case," but used its own method while claiming to use the "Buell" method.

Early in the investigation the question of providing for a division of the unassignable operating expenses of the mail-carrying railroads was forced upon the department by the action of certain railroad representatives, at a conference held in Washington, D. C., on October 22, 1909, when the following resolutions were adopted:

"1. *Resolved*, That the Committee on Railway Mail Pay be requested to use its influence with the American railways to induce them to fill out their reports to the Post Office Department in accordance with the recommendations of this meeting; and be it further

"2. *Resolved*, That the railroads here represented cooperate fully with the Committee on Railway Mail Pay, and that their reports to the Post Office Department on the above forms be forwarded in duplicate to Mr. Julius Kruttschnitt, chairman of the Committee on Railway Mail Pay, room 401, Grand Central Station, Chicago, Ill., with the request that after collating the same, the originals be returned to the roads for

transmission to the Post Office Department, and the duplicates retained by the said committee for their assistance in their work; and be it further

"3. *Resolved*, That the Committee on Railway Mail Pay be requested to send each of the railroads here represented a copy of the summary of the replies by all the railroads."

Among other recommendations forwarded to the mail-carrying roads, in accordance with the above resolutions, there appears the following (the italics are the writer's):

"As to assignable expenses, select those which under the interstate-commerce classification are confined exclusively to passenger service.

"*Leave out of consideration* expenses which under the interstate-commerce classification are confined exclusively to freight service.

"Take the remaining operating expenses and apportion them to passenger and freight service *on basis of train mileage*, assuming for this purpose that *a passenger train-mile costs the same to run as a freight train-mile.*

"Add the assignable passenger expenses to the other expenses estimated in order to get the total. It is recommended that this basis be *uniformly used* in ascertaining the "total passenger operating expense (covering all passenger and baggage, express, and mail service)."

The reports received by the department from the railroads indicated that a large majority of the companies separated the unassignable operating expenses on the basis of the revenue train-mileage in accordance with the recommendation of the committee. An example of the result obtained by this method, if applied to all accounts not allocated, was shown in the first reports of the Chicago & North Western Railway Co., which gave only 14 per cent of the operating expenses as assignable directly to either passenger or freight service, and resulted in a passenger proportion of all expenses of 41 per cent. A second report, and correspondence with the company relative thereto, revealed actual assigned expenses, or such as could be divided upon a working basis other than revenue train-mileage, of 42 per cent instead of 14 per cent, with a very much reduced passenger expense ratio (37 per cent instead of 41 per cent). The company used the revenue train-mileage ratio of 44.83 per cent for dividing all the remaining costs, notwithstanding the passenger part of the assigned expenses was only 27.97 per cent. Upon dividing, according to the department's method, that portion of the operating expenses which was not allocated, a passenger operating cost of 33.37 per cent of the total operating expenses was obtained.

The above example is only one of many which support my statement on page 490 of the hearings, which reads:

"In the proportion that expenses between passenger and freight are allocated, the expenses divided to passenger decrease; that is, if you divide on the basis of train mileage, and then begin to apply the allocated expenses to any road, the passenger expenses begin to decrease, showing that the train-mileage basis is not the proper ratio."

In view of the foregoing, and considering the evidence and opinions of experts, and the facts shown in the reports of the railroad companies to the department demonstrating that the revenue train-mileage basis for all unassignable items was a method arbitrary in character, illogical in effect, and producing a gross inflation of passenger operating costs on many roads, it was proved beyond question that the assumption above quoted "that a passenger train mile costs the same to run as a freight train mile" was in general application contrary to fact. Nevertheless, this method of separating the operating expenses was the only one urged upon the railroads of the country by the railway mail pay committee as indicated by the resolutions above quoted. Whether or not the use of the "Buell" basis produced the lowest passenger cost obtainable by any method, as claimed by Mr. Peabody on page 466 of the hearings, it is certainly a fact that the use of revenue train-mileage for this purpose gave, in almost every instance, a higher passenger operating cost than was warranted by the actual cost relationship in railroad expenditures.

The basis used by the department is explained in House Document No. 105, on page 8. The following paragraph indicates the position of the department in regard to the utilization of the Wisconsin commission report:

"In determining the method of separating the operating expenses to the passenger and freight traffic the suggestions and deductions of the railroad commission of Wisconsin set forth in its decision in the case of A. E. Buell *v.* The Chicago, Milwaukee & St. Paul Railway Co., decided February 16, 1907, have been made use of, and with the exceptions hereinafter noted the several items of operating expenditures have been divided in accordance with the conclusions reached in that decision."

The exceptions referred to in the above quotation embraced principally the accounts which were incorporated in the Interstate Commerce Commission classification of railroad accounts at a date subsequent to the Wisconsin commission decision.

The "Buell case" furnishes one of the best examples of investigation that has come before the department in regard to the question of account separations. The method there advocated based the division of the unassignable expenditures upon the known costs chargeable to train movement in conducting transportation as well as upon the revenue train mile arbitrary. Those accounts wherein the relative cost of passenger and freight movement is the same are divided on the basis of the traffic arbitrary or revenue train mileage, but those accounts, or parts of accounts, which depend entirely upon expenditure for the two classes of service are divided upon their cost relationship in some form. The business of a railroad is based upon the train as a unit, and the relative cost of train movement is more closely connected with the cost of operating certain other departments of railroad business than any traffic arbitrary.

The revenue train-mileage as a basis having been urged upon the railroad companies by the railway mail pay committee, and the reports of the department showing conclusively that it had been extensively used in separating the unassignable expenses, the department was forced, in the face of the facts before it, to utilize a basis which was recognized by competent authorities and accounting usage to be more accurate in its results.

That the department should not have attempted to make such a separation at all but should have accepted the data furnished by the railroad companies without question is a criticism which has already been answered. In this connection Mr. V. J. Bradley says, in his statement, published in the hearings on page 425, referring to the report of the Pennsylvania Railroad Co.:

"Consequently the company would be fully warranted in concluding that in this particular inquiry its statement of passenger-train expenses should have been accepted by the Post Office Department because of the greater experience of its officers in dealing with such matters and their greater intimacy with the financial and operating factors involved than could possibly be possessed by those in the Postal Service who were designated to give this subject their study and consideration. Further, the company's method of between 40 and 50 years' duration was at least neutral as to this particular inquiry, while a special and peculiar method, such as that used by the Post Office Department, devised for this inquiry, would need to be closely scrutinized."

That the basis used by the department is not open to the criticism above indicated will be made apparent also from the comparative tables hereinafter shown, demonstrating that the use of the revenue train mileage by the railroad companies, in their separations of the unassignable expenses, was not warranted by the known cost data for passenger and freight services in their possession.

That the department did not use the basis set forth in the "Buell case," but used its own method while claiming to use the Buell method, is another criticism which can not be entertained in view of the statement made in House Document No. 105, which has been quoted. The suggestions, deductions, and opinions of the Wisconsin commission, as set forth in the case, were made the basis of the department's method. The commission was passing upon the account separations for one railroad company in that case and not for all roads. The department endeavored to adhere to the principles laid down, but not to the specific results in the case and adopted that general method of apportionment which was uniform in application, and thus of statistical value.

That each class of traffic should bear its own share of the expense of road operation is referred to by Mr. W. A. Worthington, of the Southern Pacific Co., when he says, on page 330:

"I think that the railroads should, wherever practicable, receive from any class of traffic revenue sufficient to cover its proper share of all the operating expenses and the fixed charges, for the reason that if they do not it means that the other classes of traffic will have to bear that burden; in other words, the shippers of freight are really paying more than their share as compared with traffic received from passenger trains."

If true, is not the proposition here presented applicable to the subject of a division in rates between different roads? Should not the shipper or passenger pay a revenue sufficient to compensate each road proportionately, the rate to include the cost of operation plus a reasonable percentage of profit? The cost basis adopted by the department is objected to by the railroad representatives generally for the reason that a large percentage of the operating expenses must be arbitrarily apportioned, but at the same time they submit cost estimates based upon revenue train-mileage apportionments in support of their testimony.

In explanation of the method used by the department in dividing the expenses it should be stated that the "direct charge" accounts do not represent all of the passenger and freight expenses which are directly assignable to each class, but are only those

charges reflecting the actual transportation business of the road, and include accounts, in some instances, not directly allocated. As explained in House Document No. 105, page 8—

"The whole or a large percentage of the expenditures covered by the foregoing (direct charge) accounts was assigned directly to passenger or freight traffic by the companies generally. Those accounts named in the table not so assigned for any reason were separated by the department in accordance with the character of the particular account in question. The ratios of the total passenger and total freight costs so obtained were used as the direct charge basis of apportionment for the non-assignable expenses."

Heavier freight traffic on freight trains results in greater cost per train-mile and more freight revenues, but does not increase the train mileage. The same may be said of passenger trains but not with equal force, as the nature of the traffic places a limit upon the load. The factor of density is reflected in cost, not in train mileage. Those accounts not directly dependent on train movement would be incorrectly divided on a basis of revenue train-mileage. The use of the "direct charge" basis for such accounts has the effect of bringing the passenger and freight costs into proportion with the known ratios of transportation costs for the respective services, and in harmony with the train unit of cost which is produced by density of traffic. Therefore the "direct charge" or train cost ratios are equitable for a division of many accounts under maintenance of way and structures, and reflect the actual conditions more accurately than the use of revenue train mileage ratios exclusively. When to the "direct charge" ratios is added the factor of traffic represented by the revenue train-mileage, there is produced a result which stands for actual cost conditions, including traffic density, and traffic movement (including speed and frequency). To illustrate the difficulties encountered by the department, and the results obtained by the use of the department method in comparison with that of the railroad companies, comparative statements follow showing the apportionment of expenses for certain railway companies as reported to the department and as computed and published in House Document No. 105, with a detailed consideration thereof:

*Statement showing for the Atchison, Topeka & Santa Fe Ry. Co. the percentages of operating expenditures directly assigned on reports to department, the percentages which could have been so assigned, and the unapportioned balance.*

| Item. | Per cent of the several items to the total operating expenses, showing relative weights of account separations. | | |
|---|---|---|---|
| | Assigned or directly separated. | Accounts which company could have shown as allocated. | Balance to be apportioned. |
| | *Per cent.* | *Per cent.* | *Per cent.* |
| Total expenses for maintenance of way and structures | | | 25.56 |
| Total expenses for maintenance of equipment | 11.68 | 10.06 | 1.25 |
| Total traffic expenses | | | 2.95 |
| Total transportation expenses | 1.55 | 39.38 | 4.43 |
| Total general expenses | | | 3.14 |
| Total of items | 13.23 | 49.44 | 37.33 |

The sum of the percentage total of all items equals 100 per cent.

*Statement compiled from reports of the Atchison, Topeka & Santa Fe Ry. Co. to the Post Office Department showing the assignment and apportionment of operating expenses submitted by the company and as apportioned by the department.*

| Item. | Total of items as reported for January, 1910 (total amount). | Total of items that were directly separated by the company (assigned amount). | Items or parts of items that were directly chargeable to passenger service as reported by the company and result published in H. Doc. 105. | | Items or parts of items that remained to be apportioned by the department, and which were combined by the company in its allocation and apportionment. | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total to be apportioned (apportioned amount). | Apportioned to passenger service as reported by company. | | Apportioned to passenger service by department and result published in H. Doc. 105. | |
| | | | Passenger amount. | Per cent of total assigned. | | Passenger amount. | Per cent of total apportioned. | Passenger amount. | Per cent of total apportioned. |
| Total expenses for maintenance of way and structures | $1,567,985.96 | | | | $1,567,985.96 | $720,061.36 | 45.92 | $530,790.43 | 33.86 |
| Total expenses for maintenance of equipment | 1,410,345.45 | $716,976.15 | $137,125.18 | 26.07 | 693,369.30 | 234,029.40 | 33.75 | 232,049.18 | 33.47 |
| Total traffic expenses | 181,104.07 | | | | 181,104.07 | 102,025.21 | 56.34 | 97,349.21 | 53.75 |
| Total transportation expenses | 2,782,655.90 | 95,261.14 | 854.68 | 8.97 | 2,687,394.76 | 834,677.10 | 31.06 | 806,582.74 | 30.02 |
| Total general expenses | 192,535.08 | | | | 192,535.08 | 78,329.16 | 40.69 | 58,472.90 | 30.37 |
| Total of items | 6,134,626.46 | [1] 812,237.29 | 137,979.86 | 16.99 | [2] 5,322,389.17 | 1,969,122.23 | 36.99 | 1,725,244.46 | 32.41 |

[1] 13.23 per cent assigned.

[2] 86.77 per cent apportioned.

Referring to the table (p. 1038) and the method described in the hearings on page 460 by Mr. Peabody, representing the Santa Fe system, it is manifest that the Atchison, Topeka & Santa Fe Railway, for statistical purposes, was actually assigning more than 62.67 per cent of the total operating expenses to the passenger and freight services, although this company reported an assignment to the department of only 13.23 per cent. The departmental Form 2608 requested this data from the company in detail. Mr. Peabody, on page 459 of the hearings, etc., says:

"We sent you our formula, which was very elaborate and complete, which takes up every account separately and first assigns every expense to the exact operation of the road on which that expense was incurred, dividing it between main and branch lines and between divisions."

This statement of the method used by the Sante Fe system was not received at the department. It was requested of the company in a special communication, but was not furnished. (See testimony, p. 512 of the hearings.)

As to the method employed by the company in separating the unallocated expenses, a glance at the statement on p. 1039 reveals the reason for the difference in the company's figures and those of the department. The inaccuracy of a revenue train-mile basis for account separations of the unassignable expenses and the very great accuracy with which the department was able to secure a just and equitable division is demonstrated, notwithstanding the fact that 87 per cent of the total expenses were required to be apportioned. It was in the power of the company to have furnished the department data with approximately 62 per cent of the expenses directly assigned to either passenger or freight traffic. A comparison of the percentages for maintenance of way and structures and general expenses shows that by the use of the revenue train-mileage ratios by the company (which charged 45.92 per cent to the passenger service) a considerably greater expense is imposed upon the passenger service than it is justly entitled to, in view of the actual expense ratio for this service of only 16.99 per cent. The apportionment of maintenance of equipment, traffic, and transportation expenses by the company and by the department, are practically in agreement, but the separation to passenger of the equipment and transportation expenses, aggregating 60 per cent of the operating expenses, is only a trifle over 30 per cent as divided by the department, while the revenue train-mile basis used by the company is 45.92 per cent, which accounts for the large amount added to these items by the company and was due to the use of this method of apportionment.

As to the method employed by the department for account separations, the table on p. 1039 gives a striking illustration of its practicability for the purpose. The resulting figures for over 60 per cent of the operating expenses as divided by the department are practically the same as those reported by the company.

The fact that railroad companies generally use a revenue train-mileage basis for apportionment of the unassignable expenses, and the further fact that certain courts have, for various reasons, held that the weight of evidence justified their decisions in favor of testimony based upon a revenue train-mileage apportionment for railroad operating expense accounts, can not justly be claimed a proof of the accuracy of this method. The exceptions are so few, in practice, that it may be set down as a maxim that the ratios of revenue train-mileage are not in proportion to the cost of train movement and operation, and can only be considered as a basis for dividing that account which depends on traffic alone and when no other factor enters into the consideration of the item.

The statement of Mr. Peabody, on page 489 of the hearings, is quoted as follows:

"The revenue train-mileage comes very close to the result reached by ours. If we should apply the revenue train-mileage to our figures we would not vary 2 per cent from our figures, but we wish to get actual figures so far as we can for our own purpose of operation. We do not make this division for the sake of going into court or anything of that sort."

Upon reference to the comparative statement above it may be seen that the application of the revenue train-mileage ratio of 45.92 per cent to the apportioning of the unassigned expenses would result in a passenger cost at least 8.93 per cent higher than was reported to the department by the company, which amount is shown to be between 5 and 10 per cent above the ratio for the known cost of passenger traffic. The statement of Mr. Peabody does not seem to be justified by the facts presented.

*Statement compiled from reports of the Grand Trunk Railway System to the Post Office Department showing the assignment and apportionment of operating expenses submitted by the company and as apportioned by the department.*

| Item. | Total of items as reported for November, 1909 (total amount). | Total of items that were directly separated by the company (assigned amount). | Items or parts of items that were directly chargeable to passenger service as reported by the company and result published in H. Doc. No. 105. | | Items or parts of items that remained to be apportioned by the department, and which were combined by the company in its allocation and apportionment. | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total to be apportioned (apportioned amount). | Apportioned to passenger service as reported by company. | | Apportioned to passenger service by department and result published in H. Doc. No. 105. | |
| | | | Passenger amount. | Per cent of total assigned. | | Passenger amount. | Per cent of total apportioned. | Passenger amount. | Per cent of total apportioned. |
| Total expenses for maintenance of way and structures | $137,792.95 | | | | $137,792.95 | $53,986.99 | 39.18 | $44,575.81 | 32.35 |
| Total expenses for maintenance of equipment | 129,689.02 | $55,597.25 | $16,877.79 | 30.36 | 74,091.77 | 28,201.05 | 38.06 | 23,061.74 | 31.13 |
| Total traffic expenses | 30,201.69 | 27,286.43 | 10,253.63 | 37.58 | 2,915.26 | 1,171.95 | 40.20 | 907.81 | 31.14 |
| Total transportation expenses | 372,780.36 | 94,549.83 | 25,079.87 | 26.52 | 278,230.53 | 109,205.54 | 39.25 | 88,297.47 | 31.74 |
| Total general expenses | 25,798.20 | | | | 25,798.20 | 10,330.37 | 40.05 | 8,043.88 | 31.18 |
| Total of items | 696,262.22 | [1]177,433.51 | 52,211.29 | 29.43 | [2]518,828.71 | 202,895.90 | 39.11 | 164,886.71 | 31.78 |

[1] 25.48 per cent assigned

[2] 74.52 per cent apportioned.

The difference in passenger operating cost between the figures presented by the company and those computed by the department is shown by the above table.

The passenger operating cost assigned directly to that service for maintenance of equipment items and the items of transportation expense produced passenger ratios of 30.36 per cent and 26.52 per cent, respectively. The company apportioned the remaining items of these accounts on a basis which produced passenger ratios of 38.06 per cent and 39.25 per cent, respectively. The passenger total cost was further increased at a rate above the known cost ratios by the use of bases which produced 39.18 per cent for maintenance of way and structures, 40.20 per cent for traffic, and 40.05 for general expenses.

Reference to the column for "Apportioned passenger service expenses by the department" will show that the average passenger ratio of apportionment was 31.78 per cent, which was 2.35 per cent above the passenger ratio for assigned or known passenger cost, namely, 29.43 per cent.

Of the total operating expenses, 74.52 per cent were apportioned by the company on a basis which charged the passenger service with 39.11 per cent thereof. The increase in the ratio of apportionment for passenger traffic was 9.68 per cent above the known passenger ratio, or an increase of approximately 25 per cent. No reason is given for this inflation of passenger cost, and thus the department is placed in the position of either accepting as correct a passenger charge of known inaccuracy or substituting therefor an equitable basis of apportionment. No criticism of the decision made by the department appears warranted.

Mr. Robert S. Logan, representing the Grand Trunk System, states in his testimony, page 533 of the hearings, that his road is underpaid for mail service about 40 per cent. The statement which he submits is shown on page 562 of the hearings.

Detailed information in regard to the ascertainment of the item for passenger operating expenses shown to be $2,191,070.70, or 45.36 per cent of the total operating expenses, namely, $4,829,960.62, is lacking, but upon reference to the Interstate Commerce Commission statistical report there is found a passenger revenue train-mile ratio of 47.40 per cent. The use of revenue train mileage as a basis of dividing the unassignable operating expenses is thus indicated, which it has been shown is inaccurate and out of proportion to the known cost relation of passenger and freight traffic and density thereof.

The result of the investigation into operations of the company for November 1909 is shown by House Document 105, at page 275, and indicates a gain to the road of $4,409.86 for mail service for that month. Deducting from this amount the mail proportion of the interest on funded debt, hire of equipment, etc., computed on same basis, amounting to $3,166.60, there is left a gain to the company on mail service of $1,243.26 per month, or $14,919.12 per annum, this amount covering the cost of all operations, taxes, interest, and hire of equipment. Mr. Logan, in his statement on page 562 of the hearings, shows a corresponding loss of $101,669.34 per annum.

In view of the facts presented, the statement of Mr. Logan that his road is underpaid 40 per cent for services rendered in the transportation of the mails should be supported by more detailed information both in regard to cost and space chargeable to the mail service.

*Statement compiled from reports of the New York Central & Hudson River R. R. Co. to the Post Office Department, showing the assignment and apportionment of operating expenses submitted by the company and the apportionment made by the department of the unassignable items.*

| Item. | Total of items as reported for November, 1909 (total amount). | Total of items that were directly separated by the company (assigned amount). | Items or parts of items that were directly chargeable to passenger service as reported by the company and results published in H. Doc. No. 105. | | Items or parts of items that remained to be apportioned by the department and which were combined by the company in its allocation and apportionment. | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total to be apportioned (apportioned amount). | Apportioned to passenger service as reported by the company. | | Apportioned to passenger service by department and result published in H. Doc. No. 105. | |
| | | | Passenger amount. | Per cent of total assigned. | | Passenger amount. | Per cent of total apportioned. | Passenger amount. | Per cent of total apportioned. |
| Total expenses for maintenance of way and structures | $1,059,625.26 | [1] $80,470.94 | $20,958.04 | 26.04 | $979,154.32 | $504,425.37 | 51.51 | $386,791.26 | 39.50 |
| Total expenses for maintenance of equipment | 1,396,064.11 | | 353,113.62 | | | 82,978.23 | [2] 31.24 | 62,879.06 | [2] 29.80 |
| Repair accounts and electric equipment of cars | 777,124.97 | 777,124.97 | 143,433.13 | 18.46 | | | | | |
| Total traffic expenses | 210,612.74 | 210,612.74 | 79,857.68 | 37.92 | | | | | |
| Total transportation expenses | 2,883,966.50 | | 693,918.92 | | | 329,860.93 | [2] 35.50 | 308,919.34 | [2] 34.77 |
| Road enginemen, fuel for road locomotives, and road trainmen | | 1,273,621.31 | 475,450.37 | 37.34 | | | | | |
| Total general expenses | 134,648.28 | | 13,986.77 | | | 46,876.19 | [2] 45.20 | 31,240.80 | [2] 33.59 |
| Total of items | 6,120,151.60 | | 1,161,835.03 | | | 964,140.72 | [2] 34.74 | 789,830.46 | 31.89 |
| Total of repairs accounts, road, train expenses, and traffic [3] | | [3] 2,261,359.02 | 698,741.20 | 30.90 | | | | | |

[1] Freight assignments computed. Company requested to furnish this data and declined.

[2] Per cent for both assigned and apportioned passenger expenses as separated.

[3] Over 33⅓ per cent of total operating expenses.

Mr. W. C. Wishart, statistician for the New York Central Lines, in his testimony, on page 602 of the hearings, referring to the data for that road published in House Document 105, says:

"On the basis of assignment made by the New York Central & Hudson River Railroad Co. the passenger service, as distinguished from freight, is charged with only 38.4 per cent of the operating expenses and taxes—$2,350,596.86 out of $6,121,071.49—and in the department's computation this is further reduced to only 34.3 per cent of the amount assigned to operating expenses and taxes, but during the year 1909 the total number of revenue train miles in the two branches of service was divided in the proportion of 54.3 per cent for passenger trains and 45.7 per cent for freight trains. Still this change, coupled with the lowered percentage of mail space, makes the difference between a very profitable business and one that barely pays operating expenses and taxes and nothing for interest upon the necessary investment."

In explanation of the revenue train-mile percentage ratios for passenger and freight traffic here stated for the year 1909, namely, passenger 54.3 per cent and freight 45.7 per cent, there should be shown the revenue train-mileage ratios furnished the department by the company upon written request, which were 51.50 per cent and 48.50 per cent, respectively.

In connection with the above table, Mr. Wishart's statement, on page 603 of the hearings, should be quoted, which reads as follows:

"It does not appear that the department has available the data upon which to base the important deductions it sought to make."

The department requested, in a special communication to the company, to be furnished with the data in regard to the amounts actually assigned to passenger and freight service. This was refused by the company on the ground that it would entail considerable labor and expense.

That the actual expenditures for both classes of traffic were and are matters of record with the company was not denied. From the nature of the case, therefore, it is not possible to analyze the method used by the company for a separation of the unassignable expenses, but whatever method was adopted tended to greatly increase the cost to passenger traffic. By referring to the statement above, that part of the maintenance-of-way and structures accounts assigned directly to passenger service shows a ratio of 26.04 per cent, and the apportionment of the remainder of the same accounts, on a revenue train mileage basis, gave 51.51 per cent.

The assignment and apportionment of the items for maintenance of equipment was in the ratio of 31.24 per cent to passenger, but the repair accounts, comprising the large percentage of this division of expenses, shows a passenger ratio of only 18.46 per cent, which is an actual cost ratio based on separate accounts according to the Interstate Commerce Commission classification.

The transportation expenses as assigned and apportioned by the company and the department produce almost identical ratios, namely, 35.50 per cent by the company and 34.77 per cent by the department. However, the items for road enginemen, fuel for road locomotives, and road trainmen, the three largest accounts in this division, show an assignment to passenger at the ratio of 37.34 per cent. The traffic expenses show an assignment at the ratio of 37.92 per cent, and the equipment repair accounts have a passenger ratio of 18.46 per cent. The total items named, aggregating over one-third of the total operating expenses, produce a passenger ratio of only 30.90 per cent. By use of the revenue train mileage ratios the company divided the remaining items on a sufficiently higher percentage to produce a passenger service ratio for all expenses of 34.74 per cent. The department's method produced 31.89 per cent.

On page 602 of the hearings, Mr. Wishart states:

"It has not been possible to determine exactly what is meant by 'direct charge accounts' as used in the department's compilations. Of the 116 operating accounts established by the Interstate Commerce Commission, there are only 14 or 15 which may be justly termed 'direct charge accounts.'"

A description of what is meant by the term "direct charge" appears on pages 8 and 9 of House Document No. 105, and requires no further explanation, but the deductions drawn by him in regard to the department's method of separating certain primary accounts require explanation.

His testimony, on page 602 of the hearings, follows:

"For example, the New York Central & Hudson River Railroad reported as expense for ties in the month of November, 1909, $152,238.87, of which $730.17 were assigned by the company to passenger business, presumably because during that month there happened to be applied to passenger tracks, ties of that cost. The balance was distributed by the company on the basis of the relative number of revenue-train miles in the two branches of the service. Under the rule of the department, however, two-thirds of this unassigned expense follows what are called the direct charge

accounts and only one-third is divided on the basis of revenue train miles. It appears, therefore, that two-thirds of $151,503.70 was distributed to passenger and and freight business on the basis of the ratio that the amounts charged to two groups of a very few freight only and passenger only accounts of small magnitude bear to each other."

The account for "ties" was handled by the department in accordance with the method described for this primary account in House Document No. 105. The passenger portion directly assignable as reported by the company was $730.57 and the passenger part of the unassignable expense was reported as $75,209.80, making a total passenger cost for this item on the company basis of $75,940.37, or 49.88 per cent of the total of the item.

The department assigned to passenger the amount reported by the company as stated, $730.57, and in separating the unassignable portion charged passenger traffic with 51.50 per cent (revenue train-mileage passenger ratio) of one-third, and 32.29 per cent (the "direct charge" passenger ratio) of two-thirds, making the passenger apportioned amount $56,501.04, and the total passenger charge for this item $57,231.61, or 37.60 per cent of the total of the item.

The department's method of dividing the account in question reduced the passenger charge as computed by the company by 12.28 per cent, or $18,708.76, for the item. The relative passenger and freight cost for station service and trains moving over the ties was the principal factor considered and applied to two-thirds of the unassignable portion of the item, the factors considered having direct relation to the cost of traffic and operation of the road.

The items entering into the "direct charge" accounts comprise 35 per cent of the total operating expenses, which items can be directly assigned by nearly all roads. In the reports of many companies the per cent was considerably higher. By reference to House Document No. 105, at page 8, it will be found that the "direct charge" items are exclusively train movement costs, so that Mr. Wishart's statement that the "direct charge" accounts are of small magnitude is due to his misunderstanding of the method used by the department.

The combined "direct charge" cost ratio for passenger service was found to be only 32.29 per cent and the maintenance of way and structures passenger ratio of assigned or actual cost was only 26.04 per cent, and yet the unassignable part of the item of ties, in common with all other items or parts of items not assignable, was divided by the company on the basis of 51.50 per cent for passenger revenue train-mileage.

The ratio used by the company for apportionment to passenger service of the maintenance of way and structures was stated by them as 51.50 per cent, and the tabular statement above shows that approximately 26 per cent of the assignable expenses were chargeable to passenger service, so that the difference, or approximately 25.50 per cent, represents an increase of 100 per cent in the ratio used by the company over the ratio of the actual known expenses for maintenance of way and structures. The increase in ratio for the "ties" account was considerably higher.

Referring to the remark of Mr. Max O. Lorenz, assistant statistician of the Interstate Commerce Commission, on page 607 of the hearings, commenting on the result of the apportionment for the New York Central & Hudson River Railroad Co., he stated:

"If they worked out about a third, it may be that their results are not so absurd, because my contention is that the train-mile method assigns the maximum proportion to passenger service, because the train-mile is something different in the two services."

The result of the apportionment of maintenance of way and structures produced a passenger ratio of cost of approximately 38 per cent. The same data computed by the company produced a passenger ratio of 49.60 per cent, only 2 per cent less than the revenue train-mileage ratio, which is a palpable inflation of passenger cost.

*Statements compiled from reports of the Pennsylvania R. R. Co. to the Post Office Department showing the assignment and apportionment of operating expenses submitted by the company and the apportionment made by the department of the unassignable items.*

| Items. | Report to department on Form 2603 by the Pennsylvania R. R. Co. | Per cent. | Report to department on Form 2608 by the Pennsylvania R. R. Co. | Per cent. | Data submitted by company checked and corrected; company figures and apportionment. | Per cent. | Data, the results of which were reported by department in H. Doc. 105. | Per cent. |
|---|---|---|---|---|---|---|---|---|
| Total of expenses and taxes | $9,079,325.81 | | $9,079,325.81 | | $9,079,325.81 | | $9,079,325.81 | |
| Assigned to passenger service | 1,765,854.86 | | 76,627.23 | | 991,197.36 | | 991,197.36 | |
| Per cent of total assigned | | 27.10 | | 1.58 | | 17.26 | | 17.26 |
| Assigned to freight service | 4,749,952.60 | | 4,749,952.60 | | 4,749,952.60 | | 4,749,952.60 | |
| Per cent of total assigned | | 72.90 | | 98.42 | | 82.74 | | 82.74 |
| Total assigned | 6,515,807.46 | | 4,826,579.83 | | 5,741,149.96 | | 5,741,149.96 | |
| Per cent of total operating expenses | | 71.77 | | 53.16 | | 63.24 | | 63.24 |
| Apportioned to passenger service | 978,002.63 | | 2,667,230.26 | | 1,752,660.13 | | 1,065,130.40 | |
| Per cent of total apportioned | | 38.15 | | 62.72 | | 52.50 | | 31.91 |
| Apportioned to freight service | 1,585,515.72 | | 1,585,515.72 | | 1,585,515.72 | | 2,273,045.45 | |
| Per cent of total apportioned | | 61.85 | | 37.28 | | 47.50 | | 68.09 |
| Total apportioned (unassigned) | 2,563,518.35 | | 4,252,745.98 | | 3,338,175.85 | | 3,338,175.85 | |
| Per cent of total operating expenses | | 28.23 | | 46.84 | | 36.76 | | 36.76 |
| Total passenger expenses | 2,743,857.49 | | 2,743,857.49 | | 2,743,857.49 | | 2,056,327.76 | |
| Per cent of total operating expenses | | 35.65 | | 35.65 | | 35.65 | | 22.65 |
| Total freight expenses | 6,335,468.32 | | 6,335,468.32 | | 6,335,468.32 | | 7,022,998.05 | |
| Per cent of total operating expenses | | 64.35 | | 64.35 | | 64.35 | | 77.35 |

The passenger revenue train-mileage per cent reported to the department by the company was 44 per cent, upon which the company based its apportionment of the large part of the unassignable accounts. Locomotive mileage ratios were also used for dividing certain items.

In making its first report of revenue and expenses to the department, on the Form 2603, the company submitted certain amounts as assigned expenses directly chargeable to passenger traffic aggregating $1,765,854.86, but upon the supplemental report of operating expenses on Form 2608 there was assigned to passenger service only $76,627.23. In the first instance accounts amounting to 71.77 per cent of the total operating expenses were assigned, while on the form which called for the detailed assignment and apportionment by primary accounts only 53.16 per cent of the total operating expenses was assigned to passenger and freight traffic.

An analysis of the two reports shows that in the first report the proportion of known passenger cost was 27.10 per cent and in the subsequent report the passenger proportion of known cost was only 1.58 per cent, and when corrected by the department from company data previously reported was increased to only 17.26 per cent.

By reference to the above table these figures will be shown in comparative tabulation, and also the percentages of apportionment for both passenger and freight service resulting from the company's method. In its first report the company apportionment results show 38.15 per cent charged against passenger traffic, which should be compared with the passenger per cent of cost actually assigned of 27.10 per cent, showing an increase of 11.05 per cent above the ratio of known cost. Turning to the data reported on the supplemental report (Form 2608) it is readily seen that many items stated as assignable in the first report were subsequently reported as apportionable, increasing the proportion charged to passenger traffic to 62.72 per cent, considerably higher than the revenue train mileage passenger ratio of 44 per cent. Without attempting to deduce a reason for the action of the company in this connection, it is sufficient to evidence the difficulties thrown in the pathway of the department in its effort to secure a true statement of passenger operating cost.

A glance at the results secured by the department based on the method of apportionment as described in House Document No. 105, indicates that the ratios secured thereby are closely related to the actual cost conditions of passenger and freight operations.

The passenger apportionment resulted in a percentage of 31.91 per cent, comparable with the passenger percentage of known cost reported by the company of 27.10 per cent and the revenue train mileage of 44 per cent. The actual cost of locomotive and train cars repairs and train service including yard expenses chargeable to passenger service from the figures furnished by the company and taken by the department with practically no correction or deviation gives a "direct charge" percentage ratio for passenger traffic of only 22.65 per cent, yet the company in its report to the department shows a passenger ratio for the total apportionment of 38.15 per cent, due almost entirely to the use of revenue train mileage as a basis for dividing the unassignable costs.

As the greatest difference in passenger cost between the company results and that secured by the department, is in regard to the respective methods employed in handling the maintenance of way and structures accounts, a short comparative tabulation will make clear the reason therefor.

*Division of expenses as separated to passenger and freight traffic for maintenance of way and structures accounts, reported by the Pennsylvania Railroad Co. on Forms 2603 and 2608, and as allocated by the department, based on all data reported by the company.*

| Item. | Reported by company. | | | | Computed by department, based on company reports. | |
|---|---|---|---|---|---|---|
| | Form 2603. | | Form 2608. | | | |
| | Amount. | Per cent. | Amount. | Per cent. | Amount. | Per cent. |
| Total assigned | (1) | | (1) | | $186,758.73 | |
| Per cent of total assigned to total of all items | | | | | | 15.90 |
| Assigned to passenger | $30,418.34 | 16.29 | $33.89 | 0.02 | 30,418.34 | 16.29 |
| Assigned to freight | (1) | | 156,340.38 | 99.98 | 156,340.38 | 83.71 |
| Total apportioned | (1) | | (1) | | 987,758.42 | |
| Per cent of total apportioned to total of all items | | | | | | 84.10 |
| Apportioned to passenger | 398,150.85 | 40.31 | 426,922.85 | 41.97 | 242,415.26 | 24.54 |
| Apportioned to freight | (1) | | (1) | | 745,343.16 | 75.46 |
| Total passenger | 428,569.19 | 36.49 | 426,956.74 | 36.36 | 272,833.60 | 23.23 |
| Total freight | (1) | | (1) | | 901,683.54 | 76.77 |
| Total maintenance of way and structures items | (1) | | 1,174,517.14 | 100.00 | 1,174,517.14 | 100.00 |

[1] Item not reported by company.

The total passenger cost of maintenance of way and structures was stated by the company on Form 2603 to be $428,569.19 and on Form 2608 as $426,956.74, or 36.49 per cent and 36.36 per cent, respectively, of the total for all items. The latter amount is $154,123.14 more than is shown on the above table for the department's figure, or an increase of 56.50 per cent. The passenger ratio of 36.49 per cent is an increase over the ratio for the actually assigned items (Form 2608) of 124 per cent, and is only 7.51 per cent less than the revenue-train-mileage ratio of 44 per cent.

The department would have accepted the data reported by the company without question, as suggested by Mr. Bradley in his testimony on page 425 of the hearings, had the factor of revenue train-mileage been supplemented by a cost factor relating to actual operations. This is in answer also to his following statement on the same page referring to the method used by the department, which reads:

"The fact that it produces uniformly lower expenses for the passenger-train service (and consequently for the mail service on passenger trains) would not lead one to conclude that it was adopted for its abstract qualities regardless of its concrete results."

The fact that the company has used the revenue-train-mileage basis of apportionment for 40 years reflects little credit upon its validity for the purpose, in view of the preponderance of evidence against it and with special reference to its use for the separation of the accounts above considered. When only 22.56 per cent of the cost of locomotive and train operation is shown by the company's own figures to be chargeable to passenger traffic, the use exclusively of a traffic ratio for account separations of 44 per cent passenger revenue train-mileage is certainly not justified for any other reason than its antiquity.

On page 430 of the hearings the total passenger earnings per car-foot mile is shown for the Pennsylvania Railroad Co. to be 4.765 mills. Dividing the total passenger cost, as reported by the company on page 424, namely, $2,743,857.49, by the total passenger-train car-foot mileage given on page 427 (667,951,848 car-foot miles), there results a passenger cost per car-foot mile of 4.047 mills. Corresponding figures (H. Doc. 105, Table 7) on the department basis produce:

Passenger revenue per car-foot mile, 4.758 mills.

Passenger cost per car-foot mile, 3.035 mills.

The company data and bases produce a gain in passenger service of only 0.718 of a mill per car-foot mile, which is not sufficient to cover the passenger proportion of fixed annual interest charges, while on the basis used by the department the passenger service shows a gain of 1.733 mills per car-foot mile, which produces a gain warranting the extensive passenger service and the expenditures for superb station facilities.

Mr. W. W. Safford, general mail and express agent, Seaboard Air Line Railway Co., gives, in his testimony on page 138 of the hearing, a "comparative cost and revenue table for mail service for the year 1912 by various methods of apportionment." In this statement he shows that a great diversity of results are obtained by various methods of division of operating expenses between passenger and freight service. He attempts to prove that, given a desired result, it can be reached by applying the required method. However, on page 137, referring to the revenue train mileage as a basis of apportionment, Mr. Safford testifies as follows:

"It has been and it is generally accepted by railroads as the best and most acceptable method, but it is not accepted by accounting officers as an absolute proposition, and it is in question now as between the methods used by the Postmaster General and the methods used by the railroads in order to have a uniform method and to present uniform figures to the Postmaster General, so that there might not be a great many different opinions about this thing. The railroads already, in making their segregation of expenses, use the revenue-train-mile basis in their assignment of expenses to passenger-train service, and that has been most frequently used and perhaps is the best because it represents more nearly the use of the property."

And, again, on page 139, he says (the italics are the writer's):

"I furthermore want to state that I am not an expert accountant. I am deducing these things from figures that I get from expert accountants, and I would not like to go into the question of railroad accounting, because there are men so very much more competent to do that than I.

"I will say this for the department: The modification of the Buell system, which they used in part, was favorable to the railroads. They seem to have been trying to get at something *fair from their point of view*."

Mr. J. H. Bowman, certified public accountant, testifying for the New York, New Haven & Hartford Railroad Co., on page 280, compares the division of expenses by the department and by himself. The results of his work in assigning and apportioning the operating expenses of the New York, New Haven & Hartford Railroad differ from the department's results by only 2 per cent. This is due to two causes: First, the fact that he had access to the detailed information which was not furnished to the department;

and second, to the use of a basis differing somewhat from that used by the department in its division of operating costs. He states that he used a method substantially the same, but differing for certain particular accounts.

It is not claimed that the department's method of account separations is the best that could be devised, but it is firmly held that traffic is only the means by which the railroad business is conducted and not the result thereof, which is represented by the revenue and cost produced by transportation. It seems most probable from the testimony of the advocates of the revenue train mileage as a basis en bloc for separating the unassignable costs, that usage and precedent have argued with greater weight than equity and accuracy of results.

Accuracy in the results and equity of method have been striven for by the department in the consideration and compilation of the cost data of the mail-carrying railroads. No valid criticism has been made of the method used, and no better method has been suggested in the published testimony.

The results published in Table 7, House Document No. 105, secured by the application of the department's method have not been criticised, nor has the accuracy of the computations been questioned.

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., February 12, 1914.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, Congress of the United States.*

MY DEAR MR. CHAIRMAN: I have the honor to hand you herewith a further report by the Second Assistant Postmaster General upon the plans for regulating railroad mail service, providing for and readjusting compensation therefor, which have been submitted to your joint committee. Accompanying the same is a tentative draft of suggestions for recommendation for legislation and regulation of railroad mail service and compensation therefor, which I approve, and of which I earnestly recommend your favorable consideration.

Yours, very truly,

A. S. BURLESON,
*Postmaster General.*

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POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
*Washington, February 12, 1914.*

Hon. A. S. BURLESON,
*Postmaster General.*

SIR: In my statement of January 16, 1914, on behalf of the Post Office Department in review of the testimony taken before the joint committee respecting compensation for the transportation of mails, I discussed the several plans for readjusting compensation for railroad mail service which have been submitted to the joint committee. Those plans which combined the main elements of a space basis were mentioned as the plan of the department, the plan of Hon. James T. Lloyd, and the plan of Mr. Max O. Lorenz. At the time the statement above referred to was submitted I had not had sufficient opportunity to consider the Lorenz plan to pass an opinion upon it. I have since, however, given this plan, in connection with the other space plans, very careful and thorough consideration and submit herewith a tentative draft of suggestions for recommendation for legislation and regulation of railroad mail service and compensation therefor. This draft embodies my conclusions with respect to the various features of the several plans heretofore submitted. These are, briefly described, as follows:

The Postmaster General is authorized and directed to readjust compensation for railroad mail service from July 1, 1914, to state railroad mail routes from that date and thereafter as he may deem proper, and to establish on any route any one or more of the several classes of service provided for.

Provision is made for five classes of service, namely, full railway post-office car mail service, apartment railway post-office car mail service, storage-car mail service, closed-pouch mail service, and side, terminal, and transfer mail service. These several classes of mail service are described in the draft submitted.

This provision differs from the department's original plan, as well as from the Lloyd and Lorenz plans in recognizing a distinction between these several postal facilities. This becomes especially important in the consideration of rates of pay. Furthermore, the standard sizes of cars provided for are greater in number and therefore are graded with less difference in length between them than between the sizes suggested by the Lloyd and Lorenz plans. This will be a distinct advantage to the department, as I have pointed out in my statement above referred to, and will be no disadvantage to the railroad companies, because they conform to the standard sizes now recognized in the service.

Provision is made for payment at different rates for each of the five classes of service. The rates for full and apartment railway post-office cars and storage cars are determined on the basis of the average revenue per passenger car mile for the railroads of the United States, as reported by the Interstate Commerce Commission, with suitable reduction therefrom to compensate for the difference in the character of services and for considerations mentioned in my statement. The acceptance of this basis follows the suggestion of the Lorenz plan and abandons the plan of direct ascertainment of cost for each individual route as proposed in the department's original plan accompanying document No. 105. This is fully justified by the results of the department's investigation and the findings published in document No. 105, which enabled a safe comparison between revenues received by railroad companies and expenditures made for unit of service for passenger and mail services. It is further warranted by a general supervision of passenger rates by legislative bodies.

The rates determined for full and apartment railway post-office car mail service and storage-car mail service consist of two elements: (1) A rate for a car-foot mile of service equated to a 60-foot car, and (2) an initial and a terminal rate. The latter in turn consist of two elements, namely, (1) a charge for loading and unloading mails at the initial point or terminal point of the car run, and (2) a charge for switching, lighting, heating, cleaning the mail cars, etc. In the constitution of such rates in this manner the Lorenz plan is followed.

The rates determined for the line charge; that is, for the car-foot mile of service, differ as they recognize the differences in the character of car equipment furnished, but do not differ with respect to the average loads carried in the cars. In these two respects the plan differs from the Lorenz plan and it is believed is a distinct improvement thereon. It is important to recognize the difference in the cost to the railroad companies of furnishing a full car wholly for the

use of the Post Office Department and that of furnishing an apartment in a car which the railroad company must run for its own convenience. It is also important to recognize a difference between wooden and steel apartment cars and to pay a higher rate for the superior character of equipment, thus conserving safety of human life and encouraging the introduction of steel apartment cars. It was found upon a careful consideration of the matter that the average load of mail in a working car is of little value in determining a rate to be paid, for the reason that the average load is a small factor in determining the authorized space necessary for the distribution of mails in transit. Furthermore, if a handling charge is recognized at the initial and terminal points of a car run the small additional tonnage represented by the variation in the weights of mails in working cars of 60-ton weight is inappreciable in cost of operation. This feature therefore was rejected.

In applying the line charge provision is made for computing the car miles of full and apartment railway post-office cars at the maximum space authorized in either direction of a round-trip car run, unless otherwise mutually agreed upon, and for computing the car miles of storage cars at the maximum space authorized in either direction of a round-trip car run, unless the car be used by the company in the return movement or it be otherwise mutually agreed upon.

The rates for initial and terminal charge consist of the two elements above stated, one of which will be a constant, and the other—the charge for loading and unloading—will be a variant. The constant terminal rates provided are not exceeding $1.45 for full railway post-office car service, $1.40 for apartment railway post-office car service, and $1.30 for storage-car service, which apply at each terminal of a car run of a 60-foot car with pro rata thereof for cars of lesser or greater length. The variant loading and unloading charge is fixed at not exceeding 12 cents for the first 2,000 pounds or less and 12 cents for each additional 2,000 pounds of the average weight of mail loaded and unloaded at the initial and terminal of a car run. The terminal rate and the loading and unloading rate together make total payments of $3.62 for each one-way trip of a 60-foot full, railway post-office car with a load of 3 tons on at the initial and off at the terminal of the run: $3.52 per trip in the apartment car service; and $3.32 per trip in the storage-car service for equivalent load and service. The study that we have been able to make of this question leads to the conclusion that the rates named in the bill are a fair charge for the services involved, which, when applied with the line rate, adequately and very properly furnish a suitable declension in the total rate between a charge for a short haul and a charge for a long haul.

Provision is made for paying for closed-pouch mail service on routes upon which closed-pouch service only is performed, at not exceeding 95 per cent of the rates of compensation provided by existing law for average daily weights of mail carried over the whole route. On routes upon which apartment railway post-office car and closed-pouch services are performed, at not exceeding $20 per mile per annum for each 2,000 pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each 100 pounds of average daily weights greater or less than 2,000 pounds; and on routes upon which full railway post-office car and closed-

pouch services or full railway post-office car, apartment car, and closed-pouch services are performed, at not exceeding $19 per mile per annum for each 2,000 pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each 100 pounds of average daily weights greater or less than 2,000 pounds, the average daily weights to be ascertained in every case by the actual weighing of the mails as elsewhere provided in the bill. Closed-pouch mail service, although performed on a large number of small routes, represents a very small part of railroad mail pay. The service is of a simple character, consisting merely of carrying the pouch and sack mail in the baggage car in the care of the railroad employee and of receiving and delivering it from the door of the car at the stations en route. These receipts and deliveries are generally small in number and light in weight. After careful consideration of its character, I have not been able to find a better method of paying for this than upon the basis of the average daily weight. As to rate of compensation, it is provided that on routes upon which closed-pouch service only is performed, it shall be at not exceeding 95 per cent of existing rates.

The relief of the companies from the performance of side and terminal service will remove a burden from these small lines which will receive at these rates ample compensation for a service consisting merely in receiving the mail in the car, carrying it, and delivering it from the door. Inasmuch as the cost to the railroads of performing side and terminal service, as stated by them in the preliminary report of the commission (p. 14), is about 5 per cent of the mail revenue received by them, it is believed that a reduction of 5 per cent from the present mail rates is warranted. On routes upon which apartment railway post-office car and closed-pouch services are performed and on those upon which full railway post-office car and closed-pouch services or full railway post-office car, apartment railway post-office car, and closed-pouch services are performed the rates provided are approximately the rates per ton provided by existing law for average daily weights from 5,000 to 48,000 pounds on the first class of routes named and for average daily weights of over 48,000 pounds on the second class of routes named. It is believed that these rates will result in the companies receiving somewhat smaller compensation than at present for the closed-pouch service on the classes of routes affected, which appears to be proper in view of the relief from side and terminal messenger service to be afforded. The reduction in the rate is a proper recognition of this change in the conditions of the performance of service. In recommending this method of adjustment the suggestion differs from the Lorenz plan.

Provision is made for taking over the side, terminal, and transfer mail service by the department and thereby relieving the companies of this service, which they contend is not strictly railroad transportation, and is a source of continual controversy. In the provision the Postmaster General is given the power to contract with postmasters of post offices of the third and fourth classes to perform the service and with railroad companies operating the lines to perform any or all of the service thereon. This will be a distinct advantage, and result in economies by securing much lower rates for the service than is otherwise possible.

The present provision with respect to land-grant railroads is continued.

Suitable provision is made for new and additional service and for paying for all regularly authorized service as it is performed, for making deductions for service not performed or discontinued, and for suitable fines in cases of refusal to provide cars and facilities.

All of the existing provisions with reference to the construction, furnishing, maintaining, and the sanitation of mail cars, the operation of wooden cars between steel or steel underframe cars, and the conversion of wooden full railway post-office cars into steel cars are continued. In addition the Postmaster General is allowed in cases of emergency and in cases where the necessities of the service require it to provide for service by full railway post-office cars of other than steel or steel underframe construction and pay suitable rate therefor.

Provision is made for requiring railroad companies to furnish all suitable facilities for caring for and handling mails while in their custody, for furnishing cars or parts of cars and placing them in stations, and for furnishing suitable space and rooms in stations for the handling, distribution, and transfer of mails in transit, etc.

The present provisions with respect to carrying persons in the custody of the mails and when on duty and traveling to and from duty and for carrying duly accredited agents and officers of the Post Office Department and the Postal Service while traveling on official business are continued.

The existing authority in the Postmaster General to decide upon what trains and in what manner the mails shall be conveyed is continued.

Provision is made for not disturbing the practice of transporting periodicals in fast freight trains at freight rates.

The Postmaster General is given the power to request information from the Interstate Commerce Commission as to revenue received by railroad companies from express companies for services rendered in the transportation of express matter and to provide for the transportation of mail matter other than first-class matter at rates not exceeding those so ascertained. He is also given authority to petition the Interstate Commerce Commission for the determination of a postal car-load rate for transportation of mail matter of the fourth class and periodicals, and to provide for their transportation, when practicable, at such rates. He is also authorized to distinguish between the several classes of mail matter, and provide for less frequent dispatches of third and fourth classes and periodicals when lower rates or other economies may be secured thereby without material detriment to the service. These are important provisions and will render material economies possible.

Provision is made for the return to the mails for the utilization of car space paid for and not needed for the mails of empty equipment and supplies. This is an important provision and will effect large economy by saving freight now paid for the transportation of empty mail bags in the direction in which empty storage cars now move. This is possible because the great bulk of the mail with equipment moves outward from large centers and not inward, while the empty equipment must be brought back to these centers. Therefore, the empty storage cars which convey the mails outward can be utilized to return the equipment to points where it is needed.

Provision is made for taking the weights of mails on railroad mail routes, and for making computations of the average loads of the several classes of cars, etc., for statistical and administrative purposes at the discretion of the Postmaster General.

The rates provided for are maximum rates; that is, they are provided for at not exceeding amounts named in the statute. In this respect the draft follows the provision of existing law, and this is desirable and necessary for a proper administration of the service.

Other minor provisions of existing law are continued.

It is made unlawful for any railroad company to refuse to perform mail service at the rates of compensation provided by law when required by the Postmaster General, and a penalty for refusal is fixed.

The rates provided for in the draft submitted are somewhat lower than the rates provided for in the Lorenz plan. It is believed, however, that they provide adequate compensation for the service performed under the conditions of performance. In this connection attention is called to the fact that Mr. Lorenz's rates were intended to slightly increase the aggregate compensation, and were also predicated upon the theory that the increases in the average loads warranted increases in the specific rates. In these regards it is fair to say that Mr. Lorenz's plan was submitted before my statement of January 16, 1914, was prepared and submitted to the joint committee, in which I show conclusively that the railroad companies under present rates are not underpaid for the services performed, and, further, his differentiation in rates for different average loads was suggested before it was pointed out by the department with definiteness that this element is of slight importance in authorizing space or in fixing a rate. Furthermore, it has been shown in my statement referred to that under existing rates the railroad companies are compensated for the side and terminal services, which, under the proposed plan, the department will assume. These and other considerations set forth in my statement warranting a lower than a commercial rate fully justify a material reduction. Notwithstanding this it is believed that the rates fixed in the draft submitted herewith are commercial rates as compared with rates fixed by the railroad companies for other services.

The plan itself, in my opinion, embodies the desirable features of the plans submitted to the joint committee and those which, upon further consideration and study, have been determined upon by this office. It is a great improvement over the existing laws and provides for full and exact payment for all services rendered. In this respect it will accomplish what the present plan does not—that is, an equitable distribution of railroad mail pay among the railroad carriers in accordance with the services performed for the Government. For the department it affords a plan embodying the maximum opportunities for economical as well as satisfactory administration and conduct of the railroad mail transportation service. As to all concerned it is a just, equitable, and scientific plan of dealing with the subject. I earnestly recommend your approval of the same.

Respectfully,

JOSEPH STEWART,
*Second Assistant Postmaster General.*

A TENTATIVE DRAFT OF SUGGESTIONS FOR RECOMMENDATION FOR LEGISLATION AND REGULATION OF RAILROAD MAIL SERVICE AND COMPENSATION THEREFOR.

The Postmaster General is authorized and directed to readjust the compensation to be paid to railroad companies from July first, nineteen hundred and fourteen, for the transportation and handling of the mails and furnishing facilities and services in connection therewith upon the conditions and at the rates hereinafter provided.

The Postmaster General may authorize railroad mail service and may state railroad mail routes from July first, nineteen hundred and fourteen, and thereafter, in such manner as he may deem proper. Any one or more of the classes of service hereinafter described and provided for may be authorized on a stated route.

Service herein provided for shall be of five classes, namely, full railway post office car mail service, apartment railway post office car mail service, storage car mail service, closed-pouch mail service, and side, terminal, and transfer mail service.

Full railway post office car mail service shall be service by cars forty feet or more in length constructed, fitted up, and maintained for the distribution of mails on trains. Four standard sizes of full railway post-office cars may be authorized and paid for, namely, cars forty feet, fifty feet, sixty feet, and seventy feet in length.

Apartment railway post office car mail service shall be service by apartments less than forty feet in length in cars constructed and fitted up and maintained for the distribution of mails on trains. Five standard sizes of apartment railway post office cars may be authorized and paid for, namely, apartments ten feet, fifteen feet, twenty feet, twenty-five feet, and thirty feet in length.

Storage-car mail service shall be service by cars used for the storage and carriage of mails in transit other than by full and apartment railway post-office cars. Four standard sizes of storage cars may be authorized and paid for, namely, cars forty feet, fifty feet, sixty feet, and seventy feet in length: *Provided*, That less than forty feet of storage space may be authorized in baggage cars on trains upon which full railway post-office cars or apartment railway post-office cars are not operated.

Service by full and apartment railway post-office cars and storage cars shall include the carriage therein of all mail matter, equipment, and supplies for the mail service and the employees of the Postal Service or Post Office Department, as shall be directed by the Postmaster General to be so carried.

Closed-pouch mail service shall be the transportation and handling by railroad employees of mails on trains on which full or apartment railway post-office cars are not authorized, except as hereinbefore provided.

Side, terminal, and transfer mail service shall be the transportation of mails between railroad stations and post offices supplied therefrom and between railroad stations.

The Postmaster General shall, from July first, nineteen hundred and fourteen, restate the service upon the several routes as authorized under this act by making such authorizations of service of the several classes hereinbefore described as he may deem necessary and pay

for the service performed in accordance therewith at not exceeding the following rates, namely:

For full railway post-office car mail service at not exceeding 20 cents for each mile of service by a sixty-foot car or its equivalent in authorized car space.

In addition thereto he may allow not exceeding $1.45 as an initial rate and the same as a terminal rate for each one-way trip of a sixty-foot car, or a prorata part thereof for a car of less length, and not exceeding 12 cents for the first two thousand pounds or less, and 12 cents for each additional two thousand pounds of the average weight of mails loaded or unloaded at initial and terminal of each car run.

For apartment railway post-office car mail service at not exceeding 18 cents for each mile of service by the equivalent in authorized space of a sixty-foot car if the car be other than of steel construction, and 19 cents for each mile of service by the equivalent in authorized space of a sixty-foot car if the car be of steel construction.

In addition thereto he may allow not exceeding $1.40 as an initial rate and the same as a terminal rate for each one-way trip of the equivalent in authorized space of a sixty-foot car, prorated to the authorized space, and not exceeding 12 cents for the first two thousand pounds or less and 12 cents for each additional two thousand pounds of the average weight of mails loaded and unloaded at initial and terminal of each car run.

For storage car mail service at not exceeding 18 cents for each mile of service by a sixty-foot car or its equivalent in authorized space.

In addition thereto he may allow not exceeding $1.30 as an initial rate and the same as a terminal rate for each one-way trip of a sixty-foot car or a pro rata part thereof for a car of less authorized length, and not exceeding 12 cents for the first two thousand pounds or less and 12 cents for each additional two thousand pounds of the average weight of mails loaded or unloaded at initial and terminal of each car run.

For closed-pouch service, on routes upon which closed-pouch service only is performed, at not exceeding ninety-five percentum of the rates of compensation provided by existing law for average daily weights of mail carried over the whole route; on routes upon which apartment railway post-office car and closed-pouch services are performed, at not exceeding $20 per mile per annum for each two thousand pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each one hundred pounds of average daily weight greater or less than two thousand pounds; and on routes upon which full railway post-office car and closed-pouch services or full railway post-office car, apartment-car, and closed-pouch services are performed, at not exceeding $19 per mile per annum for each two thousand pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each one hundred pounds of average daily weights greater or less than two thousand pounds, the average daily weights to be ascertained in every case by the actual weighing of the mails.

For side, terminal, and transfer mail service the Postmaster General is authorized to provide, in his discretion, by regulation screen or other wagon, automobile, or mail messenger service under existing law, or to contract with the railroad company, after advertise-

ment, for the performance of any or all service on its route. Postmasters at post offices of the third and fourth classes shall be eligible as contractors for this service.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive only eighty per centum of the compensation otherwise authorized by this act, excepting for side, terminal, and transfer mail service.

The initial and terminal rates provided for herein shall cover expenses of loading and unloading mails, switching, lighting, heating, cleaning mail cars, and all other expenses incidental to station service and required by the Postmaster General in connection with the mails that are not included in the car-mile rate. It shall be fixed upon the consideration of two elements, namely: First, loading and unloading mails, and, second, all other services rendered. For loading and unloading mails it shall not exceed 12 cents per ton, and for the remainder of the rate the allowance for full railway post-office cars, apartment railway post-office cars, and storage cars shall be varied in accordance with the approximate difference in their respective cost of construction and maintenance.

For the purpose of ascertaining the average weight of closed-pouch mails per day upon which to adjust compensation, the Postmaster General is authorized and directed to have such mails carried on the several routes weighed by the employees of the Post Office Department for such a number of successive days, not less than thirty-five, at such times after July first, nineteen hundred and fourteen, as he may direct, and not less frequently than once in every year thereafter, the result to be stated and certified in such form and manner as he may direct. In computing the average weight of mails per day carried on a railroad route, the whole number of days included in the weighing period shall be used as a divisor. The expenses of taking the weights of mails and the compensation to tabulators and clerks employed in connection with the weighings, for assistance in completing computations, and of rental, if necessary, in Washington, District of Columbia, shall be paid out of the appropriation for inland transportation by railroad routes.

In computing the car miles of the full railway post-office cars and apartment railway post-office cars the maximum space authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions, unless otherwise mutually agreed upon.

In computing the car miles of storage cars, the maximum space authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions, unless the car be used by the company in the return movement, or otherwise mutually agreed upon.

New service and additional service may be authorized at not exceeding the rates herein provided, and service may be reduced or discontinued with pro rata reductions in pay, as the needs of the Postal Service may require: *Provided*, That no additional pay shall be allowed for additional closed-pouch service on established routes until the next regular readjustment of pay therefor on such routes,

and no additional pay shall be allowed for additional car service unless specifically authorized by the Postmaster General.

All cars or parts of cars used for the railroad mail service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No pay shall be allowed for service by any railway post-office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay shall be allowed for service by any wooden full railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for service by any wooden full railway post-office car run in any train between adjoining steel cars, or between the engine and a steel car adjoining. After the first of July, nineteen hundred and seventeen, the Postmaster General shall not approve or allow to be used, or pay for service by any full railway post-office car not constructed of steel or steel underframe, or equally indestructible material, and not less than twenty-five per centum of the full railway post-office cars of a railroad company not conforming to these provisions on August twenty-fourth, nineteen hundred and twelve, shall be replaced with cars constructed of steel annually after June, nineteen hundred and thirteen; and all full railway post-office cars accepted for this service and contracted for by the railroad companies hereafter shall be constructed of steel. In cases of emergency and in cases where the necessities of the service require it the Postmaster General may provide for service by full railway post-office cars of other than steel or steel underframe construction, and fix therefor such rate of compensation within the maximum herein provided as shall give consideration to the inferior character of construction, and the railroad companies shall furnish service by such cars at such rates so fixed.

Service over property owned or controlled by another company or a terminal company shall be considered service of the railroad company using such property and not that of the other or terminal company: *Provided*, That service over a land-grant road shall be paid for as herein provided.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, except as is herein otherwise provided, and place them in stations before the departure of trains at such times and when required to do so. They shall provide station space and rooms for handling, distribution, and transfer of mails in transit, and for offices and rooms for the employees of the Postal Service engaged in such transportation, when required by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, and all duly accredited agents and officers of the Post Office

Department and the Postal Service, while traveling on official business, upon the exhibition of their credentials.

If any railroad company carrying the mails shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates and with due speed all mailable matter, equipment, and supplies directed to be carried thereon. If any such railroad company shall fail or refuse to transport the mails, equipment, and supplies when required by the Postmaster General on any train or trains it operates, such company shall be fined such amount as may in the discretion of the Postmaster General be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or in frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it and impose fines upon them for delinquencies. He may deduct the price of the value of the service in cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The provisions of this act shall apply to service operated by railroad companies, partly by railroad, and partly by steamboats.

The provisions of this act respecting the rates of compensation shall not apply to mails conveyed under special arrangement in freight trains, for which rates not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

Railroad companies carrying the mails shall submit under oath, when and in such forms as may be required by the Postmaster General, evidence as to the performance of service.

The Postmaster General is authorized to have such weights of mails taken and ascertainments of needed space made and to collect such information by employees of the Post Office Department as he may deem necessary, and to have the same stated and verified to him by them under such instructions as he may consider just to the Post Office Department and the railroad companies, and to employ such clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroad routes.

The Postmaster General shall, from time to time, request information from the Interstate Commerce Commission as to the revenue received by railroad companies from express companies for services rendered in the transportation of express matter, and may, in his discretion, arrange for the transportation of mail matter other than of the first class at rates not exceeding those so ascertained and re-

ported to him, and it shall be the duty of the railroad companies to carry such mail matter at such rates fixed by the Postmaster General.

The Postmaster General is authorized, in his discretion, to petition the Interstate Commerce Commission for the determination of a postal carload or less than carload rate for transportation of mail matter of the fourth class and periodicals, and may provide for and authorize such transportation, when practicable, at such rates, and it shall be the duty of the railroad companies to provide and perform such service at such rates and on the conditions prescribed by the Postmaster General.

The Postmaster General may, in his discretion, distinguish between the several classes of mail matter and provide for less frequent dispatches of mail matter of the third and fourth classes and periodicals, when lower rates for transportation or other economies may be secured thereby without material detriment to the service.

The Postmaster General is authorized to return to the mails, when practicable for the utilization of car space paid for and not needed for the mails, postal cards, stamped envelopes, newspaper wrappers, empty mail bags, furniture, equipment, and other supplies for the Postal Service, theretofore withdrawn from the mails as provided by law and transported by freight or express, and thereafter transport them in the railway post-office cars and storage cars herein provided for.

The Postmaster General in cases of emergency between October first and April first of any year, may hereafter return to the mails empty mail bags and other equipment theretofore withdrawn therefrom as required by law, and where such return requires additional authorization of car space under the provisions of this act, to pay for the transportation thereof as provided for herein out of the appropriation for inland transportation by railroad routes.

The Postmaster General may have the weights of mail taken on railroad-mail routes, and computations of the average loads of the several classes of cars and other computations for statistical and administrative purposes made at such times as he may elect, and pay the expense thereof out of the appropriation for inland transportation by railroad routes.

It shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding $5,000.

All laws or parts of laws inconsistent herewith are hereby repealed.

# RAILWAY MAIL PAY.

THURSDAY, FEBRUARY 26, 1914.

JOINT COMMITTEE ON SECOND-CLASS MAIL MATTER, ETC.
*Washington, D. C.*

The joint committee met at the call of the chairman at 10 o'clock a. m.

Present, Senators Bankhead and Weeks and Representatives Lloyd and Tuttle.

Mr. Lloyd presided as acting chairman.

The CHAIRMAN. As I understand, Mr. Peters would rather make his statement and after that we may ask any questions we desire. Is that correct, Mr. Peters?

Mr. PETERS. Yes, sir.

## STATEMENT, UNDER OATH, OF MR. RALPH PETERS.

Mr. PETERS. Mr. Chairman, we have not had as much time as we should have liked to complete this statement. The Post Office Department had, I believe, from June until early in January to submit their statement which is contained in volume 7 of the hearings. As soon as that volume was printed and distributed and we had time to study it, we got to work preparing an answer to it. This statement has been the work of the railway mail pay committee, representing the railroads, finally dressed into shape by a subcommittee.

Mr. STEWART. And does the record show whom this paper is presented for?

Mr. PETERS. This is presented on behalf of the railway mail pay committee representing the railroads.

Mr. STEWART. Does the railway mail pay committee at this time represent the same railroads in this paper that they have represented in former papers?

Mr. PETERS. Yes. The statement as prepared, is as follows:

STATEMENT OF THE RAILROADS CARRYING THE UNITED STATES MAIL, SETTING FORTH TO THE JOINT CONGRESSIONAL COMMITTEE (ON POSTAGE ON SECOND-CLASS MAIL MATTER AND COMPENSATION FOR THE TRANSPORTATION OF THE MAILS) THE CONTINUED USE BY THE SECOND ASSISTANT POSTMASTER GENERAL IN HIS BRIEF (HEARINGS NO. 7) OF JANUARY 16, 1914, OF THE INCORRECT RATIOS AND ASSUMPTIONS FOUNDED UPON POSTMASTER GENERAL HITCHCOCK'S STATEMENT IN HOUSE DOCUMENT NO. 105.

Despite the hearings and testimony before the joint congressional committee during the past year, the results of which have been published in the preliminary report and in volumes Nos. 1 to 6, inclusive, the Second Assistant Postmaster General, in his brief of January 16

(vol. No. 7), traverses the whole subject and still adheres to the old ratios, and consequently reaches results which are not, we submit, supported by any rational analysis of the facts as brought out in the testimony.

It has been shown that in the institution of the inquiry, the results of which were published in House Document No. 105, as well as in the development of it and in the final statement of results, the officials of the Post Office Department showed a lack of acquaintance with the proper method of pursuing the inquiry, a lack of familiarity with the factors employed, and a lack of appreciation of the financial elements which had to be dealt with. It is also evident that there was a lack of knowledge on their part as to the origin of the inquiry.

Although several congressional committees have studied and reported upon the subject of railway mail pay, there was only one commission which recommended that the pay be based upon the cost to the railroad company of performing the service and that the measure of such pay be the amount of car space devoted to the use of the mails. This was the Hubbard Commission, appointed by the President of the United States under the act of July 12, 1876. This commission made a very thorough investigation covering a period of almost two years. It visited all of the principal cities, conferred with railroad managers and other representative business men, and took a large amount of valuable testimony. Its reports, contained in Miscellaneous Document No. 20 of the Forty-fourth Congress and Miscellaneous Document No. 14 of the Forty-fifth Congress, comprise over 700 pages of testimony. That committee submitted, in tabular form, an estimate of the cost of performing the service per linear foot of train space, this being based upon detailed information obtained from 113 railroads, covering about 50 per cent of the transportation service of the country. Two reports were submitted to Congress, on April 1 and April 5, 1878. The first, the minority report, recommended "that the Postmaster General shall once in every four years, or oftener, ascertain the average cost of running a linear foot of passenger train on the plan herein recommended and what percentage should be added thereto to give a fair profit to the railroads."

Congress did not enact legislation in compliance with the report of the Hubbard commission, but in the following year, March 3, 1879, passed the law requiring the Postmaster General to request all railroad companies carrying the mails to furnish under seal such data relating to operating, receipts, and expenditures of such roads as was in his judgment necessary to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same, and to report to Congress with such recommendations founded upon the information obtained as would in his opinion be just and equitable.

It was not until 30 years later, viz, on August 12, 1911, that the Post Office Department submitted the required report. This was subsequently published as House Document No. 105, which appeared in December, 1911.

In the hearings, volume No. 1, of January 28, 1913, page 28, the Second Assistant Postmaster General, says:

I notice since I was speaking this afternoon my attention has been called to a memorandum which I made in 1907, when the matter came up in the department. This memorandum is addressed to the Second Assistant Postmaster General, signed by myself as Superintendent of the Division of Railway Adjustment, and contains

excerpts from the reports of previous "Commissions who have studied the question and all of whom have reported in favor of a space basis, and one recommends the basis for pay the same as is recommended in Document No. 105, a fact of which I was not consciously aware. That is, they believed the pay to the railroads should be the cost of the service and a fair per cent of that cost. They did not take into consideration this question of capitalization at all, and I do not notice that any of these commissions have taken that into consideration.

It is only necessary to turn over two pages (i. e., to page 32, hearings No. 1) to consult one of the excerpts, this being a quotation from the minority report of the Hubbard commission of 1878, to see that the question of capitalization was fully considered by the Hubbard commission in the following paragraph:

That to give a fair compensation, 13 per cent should be deducted for station and other expenses, and to the remainder 45 per cent should be added to the expenses for profit. These sums will yield on the average 6.2 mills per linear foot, or nearly the same compensation according to the cost of service that the railroads receive from the remaining business on the passenger trains.

This formula would produce an amount of railway mail pay equivalent to 126 per cent of the operating expenses.

The majority report of the Hubbard commission offered a different formula, although of the same general character, resulting in an amount of railway mail pay equal to 140 per cent of the operating expenses.

It is therefore perfectly clear that the Hubbard commission made the first study of the cost system, as a basis for railway mail pay, and fully contemplated a fair return on the capital investment. It is unfortunate that the Post Office Department was not consciously aware of these important facts.

*The incompleteness and the inaccuracy of Document No. 105.*—The Post Office Department commenced preparations for this inquiry in the year 1906 and, therefore, were engaged upon it for five years before Document No. 105 was published. The *preliminary* forms for ascertaining the daily conditions of service were prepared by the Post Office Department after many conferences with railroad officials, which helped greatly toward making these blank forms practicable to obtain the information sought. The forms and inquiries were sent to the railroad companies on September 28, 1909, to obtain the information for the month of November, 1909. Soon thereafter, October 12, 1909, the railroads appointed the committee on railway mail pay, representing 282 railroads, with 208,000 miles of line, for the purpose of preventing misunderstanding relative to the method to be used in securing and tabulating the data, and to insure uniformity in the basis of compilation, so that comparisons subsequently made would be trustworthy. It was learned by this committee that the department's intention was simply to call for the information from comparatively few railroads. The railroad committee suggested to the department that the inquiry, to be valuable, should extend to all of the railroads. This suggestion was accepted by the department, but it rejected the offer for further cooperation during the progress of the work, and the railroad committee was, therefore, obliged to gather duplicate information as far as they were able in order to have some check upon the correctness of the returns in what they knew would prove a very intricate and complicated piece of work.

In hearings No. 7, page 988, it is said:

> The period from midnight, October 31, to midnight, November 30, 1909, was selected by the department for which the information should be furnished. Some companies, however, prepared their reports from records kept in the months of Deeember, 1909, and January, 1910.

This omits to explain the reason why some of the companies submitted reports for December or January, instead of November, as specified by the department. It was due to the fact that when the department accepted the suggestion of the railroad committee that the inquiry be made general, the notifications sent out by the department to the railway companies not already notified were received too late to make preparations to gather the current information for the month of November, and it was, therefore, necessary to gather it during either December or January. It should be understood that much of the information called for by the department is not regularly compiled by the railroads in their routine of business. As a matter of fact, however, the great bulk of the data in Document No. 105 is for the month of November.

The Second Assistant Postmaster General, on page 5, hearings No. 1, mentions the month of November as having been considered a fair average for the year.

It might be suggested that as November includes two holidays, i. e., election day and Thanksgiving Day, as well as four Sundays, there are only 24 working days in the month, and it would ordinarily be considered in some respects a month rather below the average.

On page 988, the fourth paragraph says:

> Although the results obtained by the department have been assailed by the railroad companies' committee, they have, nevertheless shown that it is possible to approximately divide the total operating expenses of the railroads between passenger and freight services, respectively.

This statement implies that Document No. 105 shows for the first time the possibility of approximately dividing the total operating expenses of the railroads between the passenger and freight services, respectively. When it is pointed out in rebuttal that this division of expenses between the freight and passenger services has been made by many of the railroads for a great many years, it will be apparent that this is another important fact of which some of the officers of the department have not been consciously aware. The Pennsylvania Railroad Co. has made this division of expenses and published the results in its annual report since 1864, 50 years ago. The Atchison, Topeka & Santa Fe Railway Co. has pursued its present method of dividing the expenses for over 12 years past.

The Interstate Commerce Commission soon after its creation in 1887 adopted a rule which was contained in its book of instructions for the guidance of railway carriers in making their annual reports, which reads as follows:

> All expenses which are naturally chargeable to either freight or passenger traffic should be entered in their respective columns; expenses which are not naturally chargeable to either traffic should be apportioned on a mileage basis, making the division as between freight and passenger traffic in the proportion which the freight and passenger train mileage bears to the total mileage of trains earning revenue.

This rule, however, was discontinued after 1893, because the commission found that, generally speaking, not more than one-half the items of operating expenses could be assigned to the passenger service

or to the freight service and also because the average cost per ton per mile or per passenger per mile obtained by the basis of such computation was rarely used by the commissioners in judging of fair rates.

It should, therefore, be quite evident that the process of dividing expenses between freight and passenger service has been employed for a great many years, and was even required by a rule of the Interstate Commerce Commission over 25 years ago, and at that time the Interstate Commerce Commission gave its countenance to the method of dividing the common expenses on the basis of the number of revenue train-miles in either the passenger or freight service.

The same paragraph, page 988, continues:

> And, further, to ascertain the space relation between passenger proper, express, and mail services, and assign to these several classes the direct expenses and apportion the unassigned expenses upon the ratio of the space devoted to each of the three classes of service.

It is plainly intimated in this statement that the department has found it possible in Document No. 105 to assign to the passenger, express, and mail services the direct expenses chargeable to each. It is only necessary to turn to page 280 of Document No. 105 and to note the fact that the department in the grand total shows a total charge of railroad operating expenses and taxes against the mail service of $2,682,797 for the month of November, of which there was directly chargeable (see sixth column) only $21,993, or less than 1 per cent. The direct expense to the railroads of performing side and terminal service for the mails would alone be far greater than this direct charge which the department credited to the railroads of the entire country.

The following appears in the fifth paragraph, page 988:

> Besides furnishing for the first time a reliable gauge by which to compare compensation paid railroads with the estimated cost to them of performing service crediting them with the full pro rata share of all operating expenses in which the mails participate, the inquiry has developed the fact that the present system of adjusting compensation for mail service results in a very unequal distribution of pay among the companies due to conditions which are not uniformly represented in a weight basis of pay.

Whether a "reliable gauge" would have been developed if the inquiry had been properly made may be subject for debate. But the omission of essential data, the incorrect treatment of other data, and the illogical conclusions arrived at, as demonstrated in the hearings, have destroyed its value and utterly preclude its acceptance as a "reliable gauge." The railroads have reasons to regret this fact, because they started in 1909 in a spirit of sincere cooperation with the Post Office Department, and, notwithstanding the rejection of their offers of assistance, endeavored to make a satisfactory response, although this entailed an expense of approximately one-quarter of a million dollars, or fully ten times as much as the Post Office Department expended for the purpose. It will be remembered that the law of March 3, 1879, while mandatory upon Postmaster General Hitchcock and his predecessors, was not mandatory so far as the railroad carriers were concerned. Consequently, all of their action to assist in the determination of this important question was voluntary.

When the paragraph above cited attributes inequalities in pay to the weight basis which discloses an impression that the important railroads are overpaid and the short lines are underpaid, it is pertinent to inquire how it is that Table 7 of Document No. 105 displays a large number of the short line roads as making a profit of several

hundred per cent, and in some cases over 2,000 per cent. The Sharpsville Railroad Co., which has a mail revenue of $60.95 a month, is shown as making a profit of 2,182 per cent, and the Shreveport, Houston & Gulf Railroad Co., which has a mail revenue of $32.06 a month, as making a profit of 2,918 per cent. It would seem to any prudent mind that if the work had been carried out intelligently that such absurd deductions as those just cited would arouse suspicion in the minds of those supervising the work and lead to a verification for the discovery and correction of the errors. The fact that these illogical results were accepted and published is a convincing demonstration that the officers of the department were either unable for lack of time to study the results produced in the prosecution of the work or else were not sufficiently familiar with the conditions of the service to appreciate the significance of such revelations.

In the succeeding paragraphs, on pages 988 and 989, it is stated that on the face of the data "properly checked and revised" it was shown that the railroad expenses chargeable to the mail service, plus 6 per cent, would have aggregated $9,000,000 less than the mail revenue received by the railroads from the Government, and then remarks that if Postmaster General Hitchcock had not made an unfortunate inaccuracy of statement the overpay of the railroads would really have been stated as $10,531,792.

The railroads have submitted testimony (notably in vol. 5, pp. 732–734) of underpayment of at least $15,000,000 a year. A statement is annexed hereto (Exhibit A) showing that if the figures of Document No. 105 were worked out upon the correct ratios there would be revealed an underpayment of $10,900,000 on the operating expenses and taxes alone without any allowance af 6 per cent interest thereon, or any allowance for capital cost. If interest were allowed at 6 per cent on the railroad property used in the performance of the mail service, the amount of underpayment would be increased to nearly $38,000,000 for the fiscal year 1910.

The first chapter concludes on page 989, with the following observations:

> The conclusions reached in the document were assailed by the railroads on the following main grounds, namely:
>
> That the $9,000,000 excess of revenue over expense does not take into consideration a return on value of property used;
>
> That the department's division of total operating expenses between freight and passenger services was made in a manner resulting in too small an apportionment of unassigned expenses to the passenger service, and consequently decreased the cost to the mail service; and
>
> That the department did not charge to the mail service "dead space" reported by the companies as having been run in connection with space used for the mails.

This is far from being an adequate summary of the objections which the railroads promptly pointed out in the make-up and conclusions of Document No. 105. In volume 1 of the hearings, page 65, is published a letter from Mr. J. Kruttschnitt, chairman of the Committee on Railway Mail Pay, addressed to the Speaker of the House of Representatives, under date of December 20, 1911, a few days after Document No. 105 was published. This letter calls attention to House Document No. 105, and then makes the following statements:

> This report has been so recently made public that there has not been sufficient time for its detailed examination and analysis, but such scrutiny as has already

been possible, discloses that the data submitted are incomplete, the figures distorted, the presentation unfair, and the conclusions illogical and unwarranted. Among other things, it is grossly unjust to the railroads in that:

1. Data submitted by the railroads at the request of the Post Office Department, which are essential to a complete understanding of the subject, have been withheld and suppressed.

2. The Postmaster General has arbitrarily transferred to the passenger service much of the so-called "dead" space in mail cars, although this space could not be utilized as passenger space, thus improperly increasing the apparent car-foot miles of passenger service and correspondingly decreasing the car-foot miles of mail service.

3. The Postmaster General has apportioned expenses incurred for the joint purposes of the passenger and freight services between these services in accordance with a method never accepted by anyone with practical experience in railway accounting or operation. * * *

4. The Postmaster General has wholly overlooked the fact that a large part of the cost incurred by the railways in carrying the mails consists of interest on the capital they employ. By ignoring all capital expenses, confining his attention to mere operating cost, and proposing to return to the railways only the amount of these operating costs, plus 6 per cent, he urges a method which if applied generally to all their business would render every railroad at once bankrupt.

It will thus be seen from the statement just quoted, as well as from the specifications given several times in the hearings, that it was not merely some of the conclusions that were criticized and assailed, but the integrity of the document itself. Document No. 105 did not publish the items of revenue received by railroad companies from passenger or express business so that Congress could make a comparison between these and the revenue from mail transportation. There was no publication of the expenses at railroad stations or of terminal service, or of personal transportation of officers and employees of the Post Office Department, although this information was furnished to the Postmaster General. Neither was there a statement of the full extent of the car space as originally reported by the railroad companies to the Postmaster General as being devoted to passenger, mail, and express service. A certain portion of the mail space reported was characterized by the Post Office Department as "dead" space, but another portion was cast back into the passenger column without being recorded and published. The modification by the Post Office Department of the figures originally submitted, which the department alludes to as "corrections" and which the railroad representatives allude to as "distortions," were made entirely upon the opinion of the postal officials without consultation with the railroad companies and without sufficient regard to the actual facts or the operating conditions.

The only allusion that is made in the above quotation to this serious charge of incomplete presentation and rearrangement of the figures contrary to their original significance, is contained in the third paragraph of his summary, where he indicates that the railroad companies complained "that the department did not charge to the mail service 'dead space' reported by the companies as having been run in connection with space used for the mails."

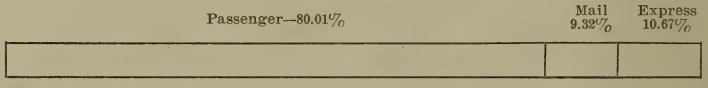
This is not a correct statement at all. The railroad companies did not report any "dead space" whatsoever. If they had been called upon to report "dead space" in the mail service they should also have been called upon to report the so-called "dead space" in passenger service and express service, in which the proportion is greater. Statistics have been quoted to show that the average passenger car in operation carries only 16 or 17 passengers out of a total capacity for,

perhaps, 50 passengers. Therefore, there would be about two-thirds of the passenger-car space that could be denominated "dead space" if such characterization were permissible in a statistical inquiry of this kind. So also in the express service, it is probable that one-half of the total car space assigned to the express service is not actually occupied by express matter and so could be described as "dead space." It is not unlikely that the Second Assistant Postmaster General and his colleagues were not consciously aware of this important fact when Document No. 105 was in course of preparation or when it was published. But the hearings of the past year before the joint congressional committee have furnished useful illumination upon this phase of the subject, and it would be extremely gratifying if the department in its brief of January 16, 1914, had shown a willingness to admit an error which is now obvious to everyone.

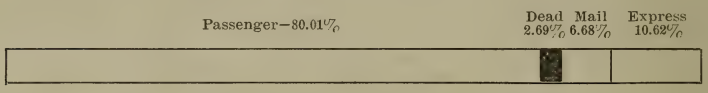
If it is possible that any doubts still remain regarding this question, they should be dispelled by the following diagram and accompanying text:

*Diagram of a typical passenger train*

AS REPORTED BY THE RAILROADS

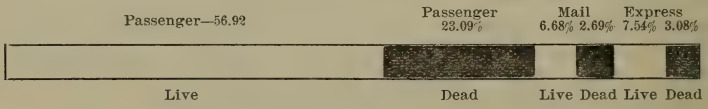



AS STATED BY POST OFFICE DEPARTMENT IN DOCUMENT NO. 105

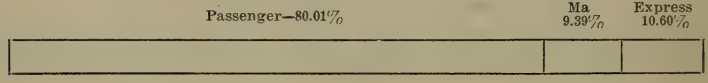



As intimated above it is the belief that the proportion of unoccupied space in the passenger service and express service is greater than is the unoccupied space in the mail service on passenger trains, but without making a full claim in this respect, let us observe the effect of killing the same proportion of space in the passenger and express services which the Post Office Department undertook to do in Document No. 105 for the mail service.

Using for the passenger and express services the same percentage of "dead" space which the Post Office Department allotted to the mail service—28.86 per cent (2.69 ÷ 9.32 = 28.86)—will show the apportionment of "live" and "dead" space to each class of service.




If the space in the train is reapportioned on the basis which the "live" space in each class bears to the total "live" space, the result will be seen in the following diagram:



It will be noted that after apportioning the whole train by the same method as that used by the Post Office Department in allotting "Dead" space to the mail service the per cent of space occupied by the mail is 9.39 per cent as against 6.68 per cent allowed by the Post Office Department and 9.32 per cent reported by the railroads.

This subject may be dismissed by quoting the judgment of the associate statistician of the Interstate Commerce Commission in hearings, volume 3, page 514:

The CHAIRMAN. I would like to ask Mr. Lorenz his view as to the fairness of elimination of credit for dead space and the application of that, as a debit, to the passenger service given, the desideratum being ascertainment between the passenger service and the mail service or the relative compensation for both.

Mr. LORENZ. I can not see how there can be two opinions. It seems to me just as you can not operate a freight service without hauling empty freight cars, and just as you can not operate passenger service without hauling empty space, you can not operate mail service without hauling empty space, and in comparing the various departments, either on cost or revenue basis, you should include all of the space used and unused which is hauled in connection with that service, and I can not understand, therefore, why on this particular point the Post Office Department should have rejected the dead space from the mails and put it in the passenger service. It seems to me that there they made a clear error.

*The question of underpayment in 1910.*— On pages 991–994, hearings, No. 7, certain statements are reviewed relating to the claims of the railroads that instead of being overpaid $9,000,000 in the year 1910 they were underpaid at least $15,000,000, and that part of this result should come from an allowance of interest on the proportion of railroad property used in the mail service, which factor had been overlooked in Document No. 105.

Following this, on pages 994–996, there is displayed a calculation which purports to ascertain the charge to the mail service by considering the application of operating revenues to the payment of operating expenses and taxes, and all the other charges against income which must be paid out of operating revenues upon a commercial basis for the year 1910, including this comment:

Even upon this basis it completely disproves the contentions of the railroads that they were underpaid.

An examination of this statement (p. 994) headed "Operating revenues, and operating expenses and charges against income," shows a number of discrepancies and erroneous assumptions. The most important criticism affects the very basis of the calculation, namely, the use by the Post Office Department of its own ratio for the division of railroad operating expenses and the Post Office Department's own ratio for the proportion of train space devoted to the mails, these being precisely the same as the department employed in Document No. 105. This fact is disclosed on page 996, where it appears that the proportion of operating expenses and taxes assigned to passenger train service is 29.21 per cent, and the proportion of these accepted by the Post Office Department as chargeable to the mail service on the space basis is 6.68 per cent.

The first ratio, 29.21 per cent, rests upon the untenable assumption that it is the right or privilege of the Post Office Department to divide the entire train operating expenses of all the railroads carrying the mails so as to determine what proportion should be assigned to the freight service and what proportion should be assigned to the passenger train service. This assumption carries with it the

implication that the officers of the Post Office Department are more competent to perform this difficult and technical division than the railroad officers whose lives have been devoted to the study of the problem.

The railroads in making the division of expenses for November, 1909, as between freight service and passenger service, followed the customary method of dividing the unassigned expenses in proportion to the revenue train-miles in either service. This was the method approved by the Interstate Commerce Commission for several years. The Post Office Department method used in Document No. 105, and again used in this calculation which we are considering, is their own special method devised for use in the preparation of Document No. 105. The Post Office Department method assigns 29.21 per cent of the total expenses to the passenger train service. The railroad method was not worked out by the Post Office Department and was not published in Document No. 105 in association with its own results, so as to reveal to Congress the difference between the two systems. A recent estimate from data originally obtained by the committee on railway mail pay would indicate that the railroad percentage for passenger train expenses in November, 1909, for 176,000 miles (approximately the same mileage as shown in Table 7, Document No. 105) would be about 34.42 per cent.

The importance of the distinction will be appreciated when it is noted that if the difference between these two percentages ($34.42 - 29.21 = 5.21$) is applied to the total operating expenses and taxes for the fiscal year 1910, viz, $1,926,426,134, it would make a difference in money of over $100,000,000 in the amount chargeable to passenger train service.

The space ratio used by the Post Office Department in Table 7, Document No. 105, to determine its share of the passenger train operating expenses and taxes was 6.68 per cent. This was lower than the mail space which they accepted on page 269, viz, 7.18 per cent. Further, it is shown in the same document that 8.81 per cent was reported, and there is reason to believe that the department's own figures if correctly compiled would show that 8.96 per cent, or practically 9 per cent, was reported. The railroad committee's computation for 176,000 miles shows that 9.32 per cent of the passenger train space was devoted to the mails. It was disclosed in the hearings that the Post Office Department had thrown out a great deal of car space necessarily used in the operation of the mail service and considered it as "dead space" without making a similar computation for the same class of unoccupied space in the passenger or express services. It is believed that everybody outside of the Post Office Department, and many within the Post Office Department, consider that this was a clear error, and it is, therefore, difficult to understand the mental viewpoint of the Second Assistant Postmaster General when he again uses this ratio of 6.68 per cent with no explanation whatever.

The difference between the two sets of ratios when applied to the income account on pages 994–996 is as follows:

Railroad ratio..... 34.42 per cent×9.32 per cent=3.21 per cent.
Post Office Department ratio..... 29.21 per cent×6.68 per cent=1.95 per cent.

Without assuming any responsibility, of course, for the first large amount quoted on page 996, viz, $599,635,450, we will show that by merely substituting the railroads' percentages for those used by the department the result will be an underpayment of over $29,000,000 instead of an overpayment of $1,616,532.

Illustration No. 1, Using Railroad Percentage for Passenger Train Expenses and Railroad Percentage for Mail Car Space (Quotation from page 996, revised as explained):

According to Table 7, Document No. 105, the operating expenses and taxes apportioned to the passenger service were ~~29.21~~ *34.42* per cent of the total, and those apportioned to the mails were ~~6.68~~ *9.32* per cent of the passenger service; ~~29.21~~ *34.42* per cent of $599,635,450 is ~~$175,153,515~~ *$206,394,522*, and ~~6.68~~ *9.32* per cent of this is the amount above operating expenses and taxes which may be charged to the mails if they are to participate in all these charges and at the pro rata based on Document No. 105 ..... *$19,235,969* ~~$11,700,255~~

Table 7 shows ~~$2,682,797~~ *$4,406,503* as the operating expenses and taxes charged to the mail service for November, 1909. This raised to the amount for a year is ..... *52,878,036* ~~32,193,564~~

However, Table 7 represents only 175,922 miles of railroad mail routes, the total of which is 220,730 miles. It is therefore necessary to ascertain approximately the operating expenses and taxes for the omitted mileage.

Table 7 shows $137,355,150 as the total operating expenses and taxes for November, 1909. This raised to the amount for a year is $1,648,261,800. But Table 7 does not represent the full mileage of mail routes, and the full mileage of mail routes is less than the total railroad mileage represented in the total railroad operating expenses, as stated particularly above.

Subtracting the $1,648,261,800 from the total operating expenses and taxes for all railroads of $1,926,426,134 leaves $278,164,334 as the operating expenses and taxes for all other miles of lines of railroad 63,524 miles.

By the tabulation of railroads on which there is no mail service, as above mentioned, their mileage was found to be 2,011 and their operating expenses $11,368,027. These subtracted, respectively, from 63,524 miles and $278,164,334, leaves 61,513 miles and $266,796,307.

This last-named amount, however, includes the 44,808 miles of mail routes not represented in Table 7, and in addition the difference between 44,808 and 61,513, on which no mails were carried. Therefore, it is necessary to ascertain the proportion represented by mail lines. Dividing $266,796,307 by 61,513 and multiplying the quotient by 44,808 gives $194,332,296 as approximately representing the lines of railroad on which mails were carried.

~~29.21~~ *34.42* per cent of $194,332,296 gives the passenger proportion, and ~~6.68~~ *9.32* per cent of the passenger gives, as the share to the mails ..... *$6,233.071*
~~$3,791,866~~

This makes a total chargeable to the mail service on the basis followed of ..... *78,347,076*
~~47,685,685~~

The total revenue received by the railroads for the fiscal year 1910, as shown by the Report of the Second Assistant Postmaster General (p. 15, "Transportation and railway post-office cars combined"), was ... 49,302,217

Being ~~an excess over~~ *a deficit below* the apportioned cost of ..... *29,044,859*
~~1,616,532~~

We thus find that the use of the railroad factors show a deficit of $29,044,859 instead of the excess of $1,616,532 claimed by the Post Office Department.

It will be interesting to observe what the effect would be of reworking this same calculation by using mixed factors, those of the railroads and those of the Post Office Department in conjunction with each other.

*Illustration No. 2.*—If the statement on page 996 were revised by using the Post Office Department percentage for passenger-train cost, 29.21, with the railroad percentage for mail-car space, 9.32, the last line would be restated as follows:

Being ~~an excess over~~ *a deficit below* the apportioned cost of ..... *$17,229,305*
~~$1,616,532~~

Here again we find that the result is a disclosure of a deficit of $17,229,305 instead of an excess of $1,616,532 estimated by the Post Office Department.

A further illustration may now be brought forward to reveal the result of reworking the calculation on the basis of using the railroad percentage for passenger-train expenses with the Post Office Department percentage for mail-car space.

*Illustration No. 3.*—If the statement on page 996 were revised by using the railroad percentage for passenger-train expenses, 34.42, with the Post Office Department percentage for mail-car space, 6.68, the last line would be restated as follows:

Being ~~an excess over~~ *a deficit below* the apportioned cost of ..... *$6,852,841*
~~$1,616,532~~

To recapitulate the several illustrations in comparison with the original statement of the Post Office Department:

Original statement by Post Office Department, page 996, using Post Office Department percentage for dividing train expenses and Post Office Department percentage for mail-car space:
Excess ..... $1,616,532

Illustration No. 1.—Using railroad percentages for both factors:
*Deficit* ..... *29,044,859*

Illustration No. 2.—Experimental use of Post Office Department percentage for train expenses in conjunction with railroad percentage for mail-car space:
*Deficit* ..... *17,229,305*

Illustration No. 3.—Using railroad percentage for dividing train expenses and experimental use of Post Office Department percentage for mail-car space:

*Deficit*..... $6,852,841

These two important factors (1) the correct ratio in the division of railroad operating expenses; and (2) the correct percentage of car space to be charged against the postal service, are of supreme consequence in arriving as a correct conclusion as to underpay or overpay from the statistics obtained for November, 1909, for the inquiry, the results of which were imperfectly published in Document No. 105. It is believed that the demonstration offered by the railroads in regard to the proportion of car space chargeable to the postal service is absolutely unassailable.

It is further believed that no one would seriously contend that the officers of the Post Office Department, even though fully competent to understand and apply the statistics of postal business to postal operations, would from that fact be equally competent to render similar service in the field of railroad statistics and railroad operations. with which they must in the nature of things be entirely unacquainted, Yet, if the officials of the Post Office Department had shown marked and unusual ability in dealing with and applying postal statistics, they would have at least demonstrated qualifications worthy of respect although even then their unfamiliarity with the railroad field of investigation might prove a fatal handicap.

Our attention has been called to an earnest effort made by the Post Office Department in the year 1911 to explain for the benefit of the Hughes commission the proportion of postal expenditures chargeable against second-class mail matter. This commission, it will be remembered, was appointed by President Taft in response to an act of Congress, and consisted of the Hon. Charles E. Hughes, Associate Judge of the Supreme Court of the United States, Mr. A. Lawrence Lowell, president of Harvard University, and Mr. H. A. Wheeler, president of the Association of Commerce of the City of Chicago.

The Hughes commission in its report of February 2, 1912, under the head of "General Post Office Service," discusses in detail the futile efforts of the Post Office Department to make a satisfactory apportionment of the expenses of the "General Post Office Service." It appears that the original statements submitted by the department to the commission were revised again and again to meet the repeated criticisms directed against them, with the final result that the distinguished commission entirely rejected the great item of "General Post Office Service" expenses amounting to over $80,000,000 a year, or 40 per cent of the entire postal expenditures at that time, because it could not satisfy itself that the estimates were trustworthy. This incident is not referred to for the purpose of discrediting the enterprise or industry of the postal officials. It is quite likely that, remembering the difficulties of their task, they performed a relatively creditable piece of work, but it may be fairly contended that when they found that their efforts in their own familiar field were not sufficiently convincing to satisfy the Hughes commission, they would have been justified in entertaining some doubt in regard to the propriety of urging that their estimate of the proper division of railroad expenses should supersede the estimates of experienced railroad officials and railroad accountants.

It may not be deemed offensive, since it is a matter of public record, to point out that this statistical uncertainty in the Post Office Department extends to postal subjects of more fundamental importance than the assignment of a proportion of expenses to second-class mail matter. Only recently the announcement of one administration regarding a surplus existing at the end of the fiscal year was revised by the succeeding administration so that a deficit was made to appear for the same year.

We therefore see no good reason for modifying or reducing our claim that the railroads carrying the mails in 1909 were underpaid at least $15,000,000, and we note with sincere approval a substantial concurrence in this opinion as expressed after careful investigation by Messrs. Lorenz and Turner in their very able review of the hearings published in volume No. 6.

*Shall the gauge of railroad mail pay be a strictly commercial rate?*—On pages 998–1001 there is allusion to certain advantages which it is claimed that the railroads enjoy in carrying the United States mails from the intrinsic character of the traffic, from the incidental benefits of participating in a national mail service, and from the principle of public utility.

As regards the intrinsic character of the mail traffic, it seems hardly necessary to discuss the "certainty, constancy, and homogeneity of traffic." The testimony submitted to the joint congressional committee abounds in disclosures of the varying quantity of mail presented for shipment, the difference in the volume outbound as compared with inbound, the necessity for providing at all times for maximum conditions, and a failure subjecting the railway carrier to fines. With particular reference to "homogeneity," a great deal might be said to the contrary, even as regards the conditions as existing previous to January 1, 1913, but since that date the parcel post has been established with the widest possible diversity in the character of the traffic, including the bulky, the perishable, and the most fragile character of manufactures and products.

The certainty and regularity of payment is not distinguishable in comparison with the ordinary commercial transactions of the railroads. In fact, the payments are so largely within the discretion of the Postmaster General as to amounts, through the "not exceeding" clause in the law, are so subject to fines and deductions, and subject to so much deliberation and verification before settlement as to be in marked contrast with payments received for passenger and freight business which are practically simultaneous with the transaction.

As regards the protection of mail trains, the principle of public utility and suggestions incident thereto, we quote from the summing up of the committee on railway mail pay to the joint congressional committee, under date of June 26, 1913, volume No. 5, page 730:

> Some general ideas advanced from time to time during the hearings call for a few words in conclusion.
>
> One of these ideas is that the mail service, being a governmental function, ought to be performed for less than what would be a reasonable compensation for a similar service performed for persons other than the Government. The first observation on this idea is that no such principle is applied to anybody else. Any individual who works for the Government is paid for his services and in a great many instances he is paid more than he would be paid if he were performing similar service for a private employer. Again, it is a fundamental principle of the Constitutions, both Federal and State, that property shall not be taken for public use without just compensation.

If a tract of land is condemned in order to obtain a site for a post office, the owner is entitled to the fair value of the land, notwithstanding the fact that it is to be used to promote the Postal Service. It is also a well-founded constitutional principle that to take the use of property without just compensation is the same as taking the property itself without just compensation. The Government could not appropriate the entire use of a railway to governmental service without making a fair compensation therefor; and likewise there is no basis for its appropriating a part of the use of a railway to the governmental service without making a fair compensation therefor. Again, in addition to these controlling constitutional principles, there can be no justifiable political or economic basis for the idea that the people who use the mails shall do so at the expense of the passengers and shippers who use the railways; and in the last analysis any inadequacy in the compensation made to the railways by the Government for the carriage of the mails must be made up by the railways in the charges imposed upon shippers of freight and upon passengers. This observation becomes even more obvious in connection with the recently established parcel post, which is principally used by merchants in the conduct of their ordinary business. Why should the man who ships by freight pay for the transportation service of the other man who ships by parcel post? There may be plausible arguments for a plan of taxing the entire people through the ordinary forms of governmental taxation in order to provide for the transportation by the Government of letters at less than cost; but there can be no pretext for compelling individuals who use transportation in other forms to pay for transportation for letters.

Another of these ideas is that the railway transportation of mail is a mere incident or by-product, and on that ground not entitled to full compensation. Certainly the passenger service as a whole is not a mere incident or a by-product and as a whole ought to yield, as far as possible, an adequate compensation for the property devoted to that use and for the services performed in that use. Yet there is no part of the passenger service which is of greater importance to the general public than the mail service. There is no part of the passenger service which imposes greater demands upon the railways for speed and certainty of operation of their passenger trains than is imposed by the mail service. Certainly a service which is of such paramount importance to the public, and of such an exacting and costly nature from the standpoint of the railway, can not in any proper sense be regarded as a mere incident or by-product.

Another way in which the idea here discussed is sometimes suggested is that if we assume that the railways did not carry the mail, the railway cost would be but little less than it is at present. Such an assumption is utterly inconsistent with the existence of the Post Office Department under present conditions. The railroads could exist without the Postal Service, but the Postal Service could not exist, in any modern sense of the term, without the railways. An assumption which is thus inconsistent with the very nature of the Post Office Department ought not to be indulged for the purpose of depriving the railways of a just compensation for carrying the mails.

The further idea has been advanced that on account of carrying the mails the railways enjoy the power of eminent domain and the protection of the Government in case of strikes, and that therefore they should carry the mail for less than what would be a full compensation therefor. The same reasons would apply equally to all other carrying functions of the railways. They enjoy the power of eminent domain because they are common carriers of passengers and freight and they enjoy the protection of the Federal Government because they are instrumentalities of commerce among the States. If these are reasons for their being paid less than full compensation for their services, the reduction of compensation can not be restricted to the mails. If the power of eminent domain and the governmental protection operated as an excuse for giving the railways less than just compensation, then there would be no inducement whatever for anybody to invest his capital in the construction and operation of railways.

The railways owe to the public and to every member of the public the duty to transport all passengers and all commodities seeking their services efficiently and safely and at just and reasonable rates. This is the highest of obligations, and the sum of their obligations to the individual members of the public is their obligation to the Government. They owe no obligation to the State which is separate or apart from, or independent of, or inconsistent with their obligations to individual applicants for their services. They can have no obligation to the people's Government which could require them, except when necessary to the public defense, to discriminate in rates in favor of traffic offered by the Government when, in order to offset such unnecessary discrimination, they would be compelled to collect higher charges from some members of the public and upon other traffic. Words better adapted to the assertion of this principle could not be chosen than those used to express it by the Joint Commission to Investigate the Postal Service which reported in 1901. We quote:

"It seems to the commission that not only justice and good conscience, but also the efficiency of the Postal Service and the best interests of the country demand that the railway mail pay shall be so clearly fair and reasonable than while on the one hand the Government shall receive a full quid pro quo for its expenditures and the Public Treasury be not subjected to an improper drain upon its funds, yet on the other hand the Railway Mail Service shall bear its due proportion of the expenses incurred by the railroads in the maintenance of their organization and business, as well as in the operation of their mail trains." (S. Doc. No. 89, 59th Cong., 2d sess., p. 10.)

*Cost of service as a guide in determining fairness of rate under commercial principle.*—To the remarks which are made under this head (p. 1005), a very brief response will suffice. It has not been questioned that under suitable circumstances an approximate ascertainment of cost may be arrived at to serve as a useful guide to measure relative efficiency, to regulate expenditures, and to some degree establish approximately the rate below which unmistakable loss would ensue.

The limitations and imperfections of the question in the present stage of the science of railroad statistics are suggested in the following quotations.

The letter from the committee on railway mail pay addressed to the Hon. Jonathan Bourne, jr., chairman of the joint congressional committee, under date of October 3, 1912 (preliminary report, p. 8), contains the following:

The ascertainment of the cost to a railroad of conducting the mail service is necessarily very largely a matter of judgment and opinion, because a large proportion of the total operating expenses are expenses common to the freight and passenger traffic and can only be approximately apportioned, and there are various formulas existing for such apportionment. It would not be right or proper to intrust to the Post Office Department the discretion of selecting the formulas by which to ascertain these costs, because the Post Office Department has an obvious interest at stake, its object always being to reduce the railroad pay to a minimum.

The estimated cost of a specific service is not a proper basis for fixing rates for transportation of any commodity. The railroads are entitled to receive a full and fair return for the value of the service performed, and the ascertainment of cost of such service is principally of value as a protection against the establishment of confiscatory rates.

The following quotations from Dr. Lorenz's statement in hearings No. 6, page 860, are also pertinent:

A strong objection is that the cost is to be ascertained separately for each road and made the sole criterion of the rate on that road.

Cost is an important guide to what is a reasonable rate, as will be discussed more fully later, but as a matter of principle it would be wrong to pay every road according to cost, because this would be rewarding inefficiency or extravagance and penalizing efficiency.

Page 878:

While cost may not be capable of that exact ascertainment which enables us to make it the sole determinant factor on which to base the rate of pay for each road, the usefulness of a cost estimate seems clear if used merely as a general guide to help us to decide whether the fifty-odd millions which the railroads receive from the Post Office Department constitute an excessive payment or not.

Page 892:

Let it be understood that in view of the undeveloped state of railroad cost accounting, we can hardly consider the cost data submitted as giving a persuasive and definite answer to what is a fair rate. But they tend to support the conclusion to be derived from a study of the average car-mile earnings in passenger trains.

*The charge of space to the mail service.*—Under this caption, on pages 1013–1017, there is a discussion of the changes made by the

department in preparing the information contained in Document No. 105 as to the mail space reported by the railroad companies as having been actually operated, and says on page 1014:

All arguments, therefore, based upon any assumed concession of the Post Office Department that the unchecked space as reported by the railroad companies for mails were correct must fall.

Throughout the discussion frequent allusions are made to mail-car space operated by the railroad company "for its own convenience" whenever the rules for the acceptance of mail-car space fail to take cognizance of the operating conditions. In other words, the space which the department considered to be beyond its immediate necessities was necessarily operated in order to supply the space which the department admitted it needed. For example, if a 60-foot car is needed westbound and the department believes that it needs only 30 feet eastbound, it is manifest that the railroad company must return the 60 feet of space eastbound in order to supply it to the department for the next trip westbound. This phase of the matter has been very carefully covered above in the discussion of so-called dead space, setting forth the illogical treatment of the subject by the department in Document No. 105.

On pages 1015–1016 there is a quotation of the Post Office Department rules which were issued for the purpose of tabulating the information as to car space for Document No. 105.

It should be pointed out that in this list of rules there is no recognition whatever of mail-storage cars, although these are very important part of the postal equipment and constituted over 10 per cent of the car-foot miles tabulated in Document No, 105.

Under the head of "Closed-pouch space" (p. 1015), the rule described will be found to allow 50 inches of linear space for 1,000 pounds of mail. Now a 60-foot car would contain 720 inches, and according to the rule just qouted would carry 14,400 pounds of mail. This is a high average load for a storage car to carry in actual practice and this means a car in which the entire space is devoted to the mails and the mails are loaded to the full capacity of the car. On the contrary, the closed-pouch service is the retail phase of mail transportation, consisting usually of a few pouches or sacks in the baggage apartment and is entitled to be measured on the retail principle rather than on the wholesale principle. The department's rule bore very heavily and unjustly on the short-line railroads, and was probably a strong influence in enabling the department to reach the conclusion that some of these poorly paid short railroads were really earning over 2,000 per cent profit on their present mail revenue.

Yet, in spite of all this, on page 1016, it is said:

That for closed-pouch service liberal allowance of space was made.

*Apartment-car space.*—On page 1016 this appears:

That the full amount of space authorized in apartment cars was allowed.

The fact is that apartment-car space is not "authorized" by the department in the sense that that term is really employed. Inasmuch as the companies are not paid for the space occupied, it would be natural to suppose that they would furnish as little of it to the department as they could. On the contrary, the demands of the department for the same reason would tend to exceed its necessities.

The fact that the department's standard plans for mail apartments call for apartments of 6 feet, 8 feet, 10 feet, 12 feet, 15 feet, 20 feet, 25 feet, and 30 feet would require a railroad company to keep a large assortment of different-size mail apartments if it undertook to meet precisely the current needs of the Postal Service, and also the changing sizes required by the increased volume of mail from year to year. It is a simple and inexpensive proceeding for the department to indicate that it needs a mail apartment 5 feet larger or 5 feet smaller than the railroad company has in stock, especially when it is not required by law to pay for the space or to pay for the alteration; but to the railroad company it means reconstructing the interior of the car, changing the dimensions of the postal furniture, and, probably, the framing of the car to accommodate the changed location of the doors and windows. This entails a considerable outlay and has created the policy on many roads of providing mail apartments of such length and with such interior facilities as will fully care for the postal business on the maximum day and the heaviest period of the year with perhaps some consideration of growth in the near future. The department, in its current practice, seems to be oblivious of these facts, and instances can be quoted where the Railway Mail Service demands a 12-foot apartment in one direction and a 20-foot apartment in the other on one set of trains and 6 feet in one direction and 10 feet in the other on another set of trains. These are only illustrations of numerous variations of this sort.

Inasmuch as there has never been specific pay for mail apartment-car space and, therefore, since the interest of every railroad company would be to provide barely what the Postal Service absolutely needed, only modified by the unavoidable and controlling operating conditions, it does not seem necessary to argue further that a full allowance for all apartment-car space reported by the railroads should have been made in Document No. 105.

*Full railway post-office cars.*—In this case the Post Office Department came nearest to recognizing the actual conditions, but even here, by ignoring the necessity for uniform standards, disallowances of car space were made. On pages 1016–1017 it is said:

> If the company chose for its own convenience to run cars of a greater length than those authorized, certainly the department should not be charged with the excess space.

A full response to this fallacious doctrine has already been made. In current practice the department's rules for payment for full R. P. O. cars are at variance with each other. In Document No. 105 the department undertook in the case of full R. P. O. cars to credit the company with the full space for the round-trip movement, according to the authorization in the heavy direction, but in the actual operation of the service this is not done. By referring to section 1334, Postal Laws and Regulations, paragraph C, the department's rule prescribes:

> Where the needs of the Postal Service require 40 feet of car space for railway post-office purposes in one direction, but less than 40 feet in the opposite direction, a line of 40-foot cars may be authorized.

This rule clearly recognizes the justice of paying for the round trip in accordance with the authorization in the heaviest direction. On the contrary, many cases can be cited where a 60-foot authorization

in the heavy direction is matched by a 40-foot authorization in the reverse direction.

Another rule of the department, section 1334, paragraph F, shows an entire lack of perception of the equities involved. This prescribes:

> Where a line of 60-foot cars is authorized and paid for, and the needs of the service require additional space but do not warrant the authorization of an additional line of 40-foot cars, the railroad company may be required to furnish apartment space.

This would mean that the railroad company must operate an additional car in order to supply the mail apartment car as a tender to the full R. P. O. car without any additional pay notwithstanding the fact that the company itself has no use for the space in the extra car not occupied by the mail apartment and would probably be obliged to return this car deadhead in the opposite direction. It is understood that heavy fines have been imposed upon companies which showed a disinclination to submit to this condition.

*Mail storage cars.*—These cars, constituting an important part of the mail-car space reported in Document No. 105, are not mentioned specifically as having been treated in accordance with a precise rule of procedure. It is almost invariably the case that these cars are returned empty in the light direction. A large amount of such space absolutely necessary under operating conditions was disallowed by the Post Office Department, and the impropriety of the department's action has already been fully described in the discussion of so-called "dead space," but is again alluded to here because of there being no mention of these cars either in the rules quoted by the department on pages 1015–1016 or in the discussion which is devoted to the subject. However, the department concludes on page 1017:

> Notwithstanding this liberality of the department in crediting space, the results obtained by the Post Office Department and those obtained by the railroad mail pay committee varied considerably, as hereinbefore mentioned.

*Annual weighings, side and terminal service, and apartment cars—Annual weighings.*—We quote from page 1018, fourth paragraph:

> * * * If the rate fixed on a quadrennial weighing is not adequate to compensate for service for the four-year term, there would be merit in the railroads' contention. However, it has been shown hereinbefore that on the basis of Document No. 105 and an additional liberal charge against the mail service for participation in payments o dividends, interest on funded debt, etc., the aggregate annual payment to the rail roads in 1910 exceeded the apportioned cost.

As the railroads have plainly demonstrated that they were heavily underpaid for carrying the mails in 1910, it is evident that a more frequent weighing in connection with a constantly growing traffic is a decidedly appropriate method in conjunction with other reforms of remedying the inadequacy.

Dr. Lorenz, in volume No. 6, page 868, estimates, on figures furnished by the Post Office Department, that an annual weighing would result in additional pay to the railroad companies of $3,255,000 for the additional work performed, although in this he takes no account of the fact that the ton-mile rate would decline with the increased weight. The law of 1873 required that the mails be weighed not less frequently than every four years, and left the discretion of more frequent weighings to the Postmaster General. For many years following the passage of that law it was the practice of the department to take the weights every four years on the side lines where the mail tons were light, and every year or two on the heavy

lines where increased growth was more noticeable and burdensome. In recent years, however, the department has changed the practice and as a rule has taken the weights only every fourth year.

It is a well known fact that the tonnage increases constantly and it is merely a business-like proposal to ask that the adjustment of the account be made more frequently than every four years, especially since the introduction of the parcel post.

As a case in point: the present Postmaster General has announced officially that he expects the parcel post traffic next year to amount to 600,000,000 parcels, of which a large proportion will undoubtedly be transported by the railroads. If the conditions were reversed and these parcels were withdrawn from the mails, and the Postmaster General failed to order a weighing to protect the interest of the Government, he would certainly be subject to severe criticism.

*Side and terminal service.*—On pages 1018–1019, it is argued that the delivery of the mails to and from the post offices by the railroad companies is not a subject for relief, because Document No. 105 has shown that the railroads are already overpaid. The railroad testimony, to the contrary, disposes of this idea.

In addition to this it has been uniformly held by all commissions, congressional and otherwise, that have studied the subject of mail transportation that the railroads should be relieved of this service, and many of the Postmasters General and other postal officers have expressed opinions to the same effect. There is a small concession to this opinion on page 1035:

* * * Some changes should be made regarding side and terminal service, so as to relieve short lines with small pay, supplying a number of post offices along their route, from expense disproportionate to the revenue received.

*Apartment cars.*—On pages 1019–1020 the denial of allowance of pay for mail apartment cars rests on the repeated contention that the railroads were overpaid in 1909. The testimony of the railroads entirely refuting the conclusions of Document No. 105, have, of course, withdrawn all support to this claim.

In the letter of former Postmaster General Hitchcock of August 12, 1911, transmitting the report that was subsequently printed as Document No. 105, the following is contained:

No additional compensation is allowed for space for distribution purposes occupying less than 40 feet of the car length. This distinction is a purely arbitrary one and without any logical reason for its existence. It affords a striking example of the unscientific and unbusinesslike methods now followed in adjusting railway mail pay.

Notwithstanding this opinion, the statement on page 1026 throws doubt upon it by suggesting that—

As a matter of fact, there is a reason in the conditions of the service which no doubt led Congress in 1873, when that law was framed, to omit a specific rate for apartment cars, and I believe this fact to be that apartment-car space is invariably furnished the department in a baggage or other car which is run in the train for the railroad's own purposes.

A further study of the subject is convincing that Mr. Hitchcock's remarks are true as relating to the existing conditions of the year 1914 as distinguished from the conditions in 1873, 41 years ago. The rates prescribed in the law of 1873 were much higher than the now existing rates, and can be said to have made fair provision for mail apartment car space on the then existing frequency of six round rips a week. The great increase in the frequency of mail apartment

car service since that time would make the original rates inadequate to-day.

While it may be true in some cases that the mail apartment occupies a portion of a car which the railroad would nevertheless run for its other traffic, there are many cases where the car would not be run at all except to provide the mail apartment for the postal service which necessarily involves the operation of an additional car in the train.

In regard to the last three items, i. e., "Annual weighings," "Side and terminal service," and "Apartment cars," the main contention of the department is that no specific remedial measures are needed because the gross amount of railroad mail pay according to the conclusions reached in Document No. 105 indicated that the railroads were overpaid. It is hardly necessary to repeat that that conclusion is dependent upon the use of the Post Office Department percentages for division of train expenses and for proportion of mail car space which have been thoroughly discussed and disposed of.

*The law of March 2, 1907, and Postmaster General's order No. 412, of June 7, 1907.*—It is perhaps unnecessary to make any lengthy response to the remarks under this heading which appear on pages 1020–1025, except to express the belief so far as the act of March 2, 1907, is concerned that the action of Congress at that time in reducing the rates for mail transportation and for R. P. O. cars was not justified by the then existing conditions, and if an investigation had been held it is not likely that Congress would have taken such action.

The "Divisor" order of the Postmaster General, under date of June 7, 1907, has already been submitted to judicial review, with the result that the Court of Claims has decided in favor of the railroads. The discussion by the Second Assistant Postmaster General is largely on the mathematical phases of the question, and there is one phrase in italics on page 1023 which is almost as imperfect as any of the mathematical practices described in Document No. 105. This is where, in describing the process of dividing the total weight for the weighing period which is customarily for 105 days by the total number of days in the weighing period (105), it is asserted that this would produce an "*exact mathematical average for every day in the year of 365 days.*"

It hardly seems necessary to point out that the only way to obtain such a result would be to weigh the mails for 365 days.

*Conclusion.*—The remainder of the department's statement deals in a descriptive way with the various plans of adjusting railway-mail pay, and states its objections to them, and will not be taken up for analytical consideration and criticism. The committee on railway-mail pay having studied this question for several years past in connection with the inquiry of November, 1909, and having had considerable experience in dealing with transportation problems, have been able, in a professional spirit, to appreciate the natural genius exhibited by those who constructed the scale of rates contained in the law of 1873.

It would have been a source of satisfaction to have read a more appreciative and a more extensive description of the basic merits of the law of 1873 than is contained in volume 7, on pages 1025 and 1026. The law was admirably adapted to the conditions as they existed in 1873, with the exception that the full R. P. O. cars which

had then been recently introduced were not accorded an adequate rate of pay. However, this affected relatively only a small percentage of the total amount of pay at that time.

Since 1873 the conditions of service have greatly changed; the volume of tonnage transported has increased enormously, and this has probably been the cause of the successive reductions in the scale of pay by congressional and departmental action. On the other hand, the increased frequency in mail-train service and the great development in the distribution of mails en route, with corresponding increase in facilities provided by the railroads, have not been fairly considered in conjunction with the increased tonnage.

Notwithstanding this, the intrinsic merit of the weight scale as set forth in the law of 1873 is by all means the best and most secure foundation for the adjustment of rates both for the Government and for the railroads.

The statement made on page 1034, reading—

> The railroads' committee offered no constructive plan aside from proposals for certain changes in existing legislation—

might be thought to convey the inference that the recommendations of the committee on railway mail pay were lacking in affirmative proposals through insufficient study of the subject or through disregard of the conclusions arrived at by others who have investigated the subject, some of whom have proposed that space rather than weight should be the measure of the pay to be allowed.

Any such inference would do serious injustice to the earnest consideration that has been given to this subject by those on the railroad side who have had the privilege of studying it. The committee on railway mail pay selected and recommended those features of amendment which are most important to be dealt with in order to correct the inequalities which have arisen either through successive horizontal reductions in pay or through changes in the conditions of the service.

These recommendations, as submitted on October 3, 1912, in a letter to the chairman, were as follows:

1. For the repeal of the act of March 2, 1907.
2. For annual weighings and a definite and just method for ascertaining daily average weights.
3. For pay for apartment cars on some basis that will compensate for the service.
4. For a fair allowance to the railroads for side and terminal messenger service which they perform for the Post Office Department according to the value of this service to the Post Office Department.
5. That all rates of pay should be definite and not subject to the discretion of the officers of the Post Office Department.

The railroad committee throughout its existence has not failed to give the most thorough consideration to the proposal that space rather than weight be made the measure of the service rendered, but is absolutely convinced by its consideration of the subject that any such plan would be dangerous to the Government and unsatisfactory to the railroads, principally because of the large amount of discretion the adjustment would leave to the officers of the department. This conclusion is not inconsistent with the deepest faith in the honesty of the departmental officers, but recognizes the disadvantages of their position under our political form of Government and the opportunities which would present themselves for serious irregularities.

The growth of the Republic has brought about a vast concentration of public business at the National Capital, and while it is the

expectation that when discretion is allowed under a law it shall be exercised by the chief officer of the department, it is a physical impossibility for him to personally examine the cases in order to exercise this discretion, and it is likewise physically impossible for this important duty to be performed by the chief officers under his control. The result is that an important question such as this would rest upon the opinions of hundreds of subordinate officials and the possibilities are uncomfortable to contemplate.

There would be frequent occasions for misunderstanding and irritation. These would lead inevitably toward a lack of cooperation which should always exist between two national industrial establishments, such as the railroads on the one hand and the Postal Service on the other.

COMMITTEE ON RAILWAY MAIL PAY,
*Representing 264 railroads, carrying mails over 218,000 miles of line.*
RALPH PETERS, *Chairman.*

SUPPLEMENT.

*Present conditions (1913) compared with 1909.*—When using estimates of expenses per car mile chargeable to mail based on the special statistics of November, 1909, the fact should be considered that since that time railway expenses per unit of service have greatly increased. A statement is attached showing for about 90 per cent of the railroads of the United States, the operating revenues and expenses per mile of road for the calendar years 1909 (which, of course, includes November, 1909) to 1913, inclusive. This shows that since 1909, operating expenses have increased 29.6 per cent, and taxes 34.6 per cent, while net revenue, after deducting operating expenses and taxes, decreased 6.9 per cent, despite an increase of 17.6 per cent in operating revenue. The annual rate of railway mail pay per mile of mail routes, according to the 1913 annual report of the Second Assistant Postmaster General, was on June 30, 1909, $229, and only $225 on June 30, 1913, or a decrease of 1.8 per cent, notwithstanding the greater service because of the inauguration of the parcel post, and the great increase in railway expenses.

*Operating results by calendar years on railways of United States.*

| | 1909 | 1910 | 1911 | 1912 | 1913 | Per cent of increase or decrease, 1913 over 1909. |
|---|---|---|---|---|---|---|
| Mileage | 210,047 | 213,347 | 224,648 | 220,058 | 223,078 | + 6.2 |
| Operating revenue | $11,673 | $12,524 | $11,954 | $13,287 | $13,723 | +17.6 |
| Operating expenses | $7,640 | $8,534 | $8,176 | $9,139 | $9,771 | +29.6 |
| Net | $4,034 | $3,991 | $3,778 | $4,148 | $3,952 | − 2.0 |
| Ratio | 65.5 | 68.1 | 66 0 | 68.7 | 71.2 | + 8.7 |
| Taxes | $433 | $483 | $487 | $545 | $583 | +34.6 |
| Net after taxes | $3,615 | $3,512 | $3,297 | $3,609 | $3,364 | − 6.9 |
| Annual rate of railway mail pay per mile of mail routes on June 30 | $229 | $223 | $227 | $224 | $225 | ..... |

AUTHORITY.—Published reports of Bureau of Railway Economics, Washington, D. C., and 1913 Annual Report of Second Assistant Postmaster General.

## Exhibit A.

AN ESTIMATE AS TO THE AMOUNT OF RAILWAY MAIL PAY WHICH WOULD BE ALLOWED ACCORDING TO THE MODIFIED PLAN OF POSTMASTER GENERAL HITCHCOCK, PRESENTED IN THE PRELIMINARY REPORT OF THE JOINT CONGRESSIONAL COMMITTEE (PP. 109–111).

Any estimate must be based upon the footing of Table 7, Document 105, this being the only statement submitted by Mr. Hitchcock undertaking to show the financial results in detail. That table, however, is incomplete. It represents only 80.44 per cent of the total length and 88.11 per cent of the total pay.

| | Total. | Table 7. | Per cent in Table 7. |
|---|---|---|---|
| Length of railway mail routes.....miles.. | 218,747 | 175,922 | 80.44 |
| Railway mail pay, including R. P. O.....dollars.. | 49,132,644 | 43,293,277 | 88.11 |

In making the estimate, the factors to be dealt with, successively, are these four:

First. What were the total operating expenses (including taxes), for both freight and passenger service of the railroads shown in Table 7?

Second. How much of that total amount should be charged to the passenger train service?

Third. What proportion of the second item should be charged to the mail service?

Fourth. What additional amount should be allowed to cover the cost of the capital invested?

*First item, total operating expenses.*—There would be no question for dispute here. If the department has made no clerical errors, we can accept for this item the total given on page 280. Total operating expenses and taxes for the month of November, 1909, $137,355,150.

*Second item, passenger train expenses.*—Here there is a very serious difference. The department, using its own method, assigns about 29 per cent, or $40,121,647. We can not tell precisely what the railroad's result would be without reworking all the original reports and these are not available, and the work would be very expensive, but it has been estimated that for the group of railroads shown in Table 7 the result would be 34.42 per cent, or say $47,000,000 as against the department's estimate of $40,000,000.

Mr. Hitchcock, in his revised plan, relinquished his claim to be allowed to make this division and was willing that the Interstate Commerce Commission should do it. As the Interstate Commerce Commission has no standard formula for the purpose, it can only be surmised that their decision would be closer to the railroad companies' estimate than to the Post Office Department estimate.

*Third item, passenger train expenses chargeable to mail service.*—After deciding whether the amount in item 2 should be $40,000,000 or $47,000,000 for the month of November, 1909, we next seek to ascertain what portion of this amount should be charged to the mail service, on the basis of the percentage of car space in all passenger train service, devoted to the United States mails.

The Post Office Department, in Document No. 105, pages 269–270, accepted 7.18 per cent, but admits that 8.81 per cent was reported. It is understood that about 20,000,000 car-foot miles in the closed-pouch service was cast out without being published, and this would raise the total to 8.96. The railroads' own computation was 9.32 per cent. (Hearings No. 1, p. 52.)

Mr. Hitchcock's revised plan does not reconcile these divergencies, and yet a difference of 2 per cent when applied to $47,000,000 would mean a difference of $940,000 a month or $11,280,000 a year.

It must be noted also that in Table 7 the department did not use its lowest space percentage (7.18), but one still lower (6.68 per cent).

*Fourth item, capital cost.*—This essential factor had been overlooked by the Post Office Department in its original proposals. In the revised plan it is said "the companies may be allowed such additional amounts, if any be necessary, as shall render the whole, a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service." As the phrase is not mandatory, the Postmaster General would be authorized to grant or withhold millions of dollars a year, upon his discretion instead of upon a specific law of Congress.

It would be quite impracticable to make an estimate of any amount that could rest securely upon the phrases quoted above.

We may calculate the use of the railroad property by the mail service in the ratio that the operating expenses (and taxes) applicable to the mail service bear to the total operating expenses, and upon the amount ascertained, charge interest at 6 per cent.

The Post Office Department, in Table 7, published the total expenses of certain railroads as $137,355,150 of which it accepts $2,682,798 as its own proportion or 1.95 per cent.

The railroads, on the same amount, $137,355,150 would charge the mail service with $4,406,503, or 3.21 per cent.

Taking the net capitalization of the railroads as $14,000,000,000 (the report of the Interstate Commerce Commission for 1910, page 52, gives the amount as $14,338,575,940), we find the proportion chargeable to the mail service to be—

| | |
|---|---|
| Post Office Department, Table 7, 1.95 per cent | $273,000,000 |
| Railroad calculation, 3.21 per cent | 449,400,000 |

The interest on these amounts would be—

| | At 4 per cent. | At 6 per cent. |
|---|---|---|
| For $273,000,000 | $10,920,000 | $16,380,000 |
| For $449,400,000 | 17,976,000 | 26,964,000 |

*Comparative statement based on Table No. 7, House Document No. 105, covering 88.11 per cent of total railway mail pay for 1909–10.*

| | Post Office Department. | Railroad companies. | An average of the two. |
|---|---|---|---|
| First item: | | | |
| Total operating expenses and taxes for month of November, 1909 | $137,355,150 | $137,355,150 | $137,355,150 |
| Second item: | | | |
| Passenger-train expenses and taxes for month of November, 1909 | *At 29.21 per ct.* $40,121,647 | *At 34.42 per ct.* $47,280,083 | 43,700,865 |
| Third item, passenger-train expenses and taxes chargeable to mail service: | *At 6.68 per ct.* | *At 9.32 per ct.* | |
| "a"—Month of November, 1909 | $2,682,798 | $4,406,503 | 3,544,650 |
| "b"—Annual basis | 32,193,576 | 52,878,036 | 42,535,806 |
| "c"—Raised from 88.11 per cent to 100 per cent to cover all mail routes | 36,537,936 | 60,013,660 | 48,275,798 |
| Fourth item: | | | |
| Net capital ($14,000,000,000) covering roadbed, rails, engines, cars, stations, terminals, and other facilities, chargeable to mail service | *At 1.95 per ct.* $273,000,000 | *At 3.21 per ct.* $449,400,000 | 361,200,000 |
| "a"—Interest on net capital at 6 per cent chargeable to mail service | 16,380,000 | 26,964,000 | 21,672,000 |
| "b"—Interest on net capital at 4 per cent chargeable to mail service | 10,920,000 | 17,976,000 | 14,448,000 |

RECAPITULATION.

| | | | |
|---|---|---|---|
| Total cost chargeable to mail service: | | | |
| "a"—Operating expenses and taxes | $36,537,936 | $60,013,660 | $48,275,798 |
| "a"—Interest on net capital at 6 per cent | 16,380,000 | 26,964,000 | 21,672,000 |
| Total | 52,917,936 | 86,977,660 | 69,947,798 |
| "b"—Operating expenses and taxes | 36,537,936 | 60,013,660 | 48,275,798 |
| "b"—Interest on net capital at 4 per cent | 10,920,000 | 17,976,000 | 14,448,000 |
| Total | 47,457,936 | 77,989,660 | 62,723,798 |
| Total pay—Mail pay, year 1910 | 49,132,644 | 49,132,644 | 49,132,644 |
| Annual surplus or *deficit.* | | | |
| "a"—Interest at 6 per cent | *3,785,292* | *37,845,016* | *20,815,154* |
| "b"—Interest at 4 per cent | 1,674,708 | *28,857,016* | *13,591,154* |

It will be noticed that the railroad calculation, up to and including the third item, reveals an underpayment of $10,900,000 without counting the capital cost. It also seems evident that Postmaster General Hitchcock could not assume to demonstrate

overpayment, except by introducing his own method of dividing the total railroad expenses, by reducing to the lowest minimum the car space devoted to the mails and by arguing against any participation in a fair return upon the property.

JANUARY 23, 1914. (Revised Feb. 16, 1914.)

The CHAIRMAN. Gentlemen, how many are there who want to make a statement or who want to take part in the examination that may be made?

Mr. PETERS. I think Mr. Bradley, Mr. Scott, Mr. Baldwin, Mr. Mack, Mr. Searle, Mr. Wishart, and Mr. Safford might be sworn.

The CHAIRMAN. Gentlemen, if you will all stand up, everyone who desires to or feels free to ask questions, I will swear you. We want to have a full, free, and general discussion of this matter.

Thereupon the following gentlemen were sworn by the chairman:

Representing the railway mail pay committee—

Mr. Ralph Peters, president, Long Island Railroad Co.
Mr. W. W. Baldwin, vice president, Chicago, Burlington & Quincy Railroad Co.
Mr. John A. Drake, secretary and treasurer, Short Line Railroad Association.
Mr. V. J. Bradley, general supervisor of mail traffic, Pennsylvania Lines.
Mr. S. C. Scott, vice presidents' assistant, Pennsylvania Lines.
Mr. A. H. Rowan, assistant to vice president, New York Central Lines.
Mr. W. C. Wishart, statistician, New York Central Lines.
Mr. C. A. Searle, manager mail traffic, Rock Island Lines.
Mr. H. E. Mack, manager mail traffic, Missouri Pacific Railway.
Mr. J. P. Lindsay, manager mail traffic, Atchison, Topeka & Santa Fe Railway.
Mr. W. W. Safford, general mail and express agent, Seaboard Air Line Railway.
Mr. H. L. Fairfield, supervisor of mails, Illinois Central Railroad Co.
Mr. F. A. Campbell, traveling agent, transportation department, Norfolk & Western Railway.
Mr. R. H. Snead, manager of express traffic, Chesapeake & Ohio Railway.
Mr. Guy Adams, manager mail traffic, Union Pacific.
Mr. E. L. Duncan, manager mail traffic, Chicago & Eastern Illinois Railroad.

Representing Post Office Department—

Hon. Joseph Stewart, Second Assistant Postmaster General.
Mr. C. H. McBride, Superintendent Division of Railway Adjustments, Post Office Department.
Mr. A. N. Prentiss, clerk, Post Office Department.
Mr. George A. Bandel, Assistant Superintendent Division of Railway Adjustments, Post Office Department.

Mr. M. O. Lorenz, associate statistician, Interstate Commerce Commission.

The CHAIRMAN. Mr. Peters, on the first page of the statement which you have submitted you refer to the preliminary report. What do you mean by that?

Mr. PETERS. That is the blue book of your hearings, issued by your chairman. That has always been called "The preliminary report," and following that came volume 1 of the proceedings.

The CHAIRMAN. Do you take the position that November is not a fair month in which to make an investigation?

Mr. PETERS. Yes; I think it has been shown by the testimony of different members submitted during the hearings that that was not a fair month. Attention was called to the fact that there were two holidays and four Sundays in the month of November.

The CHAIRMAN. What month in the year would be a fair month, if November is not?

Mr. PETERS. I think October, or perhaps May.

The CHAIRMAN. Is there more traffic in October or less than in November?

Mr. PETERS. I feel, as a rule, traffic is a little heavier in October.

Senator BANKHEAD. As I understand, the difference between October and November, there are two holidays in November?

Mr. PETERS. That had some effect on the conclusion.

The CHAIRMAN. Mr. Bradley asks whether any month would be fair?

Mr. PETERS. I hardly think it would. To get at the real situation I think the statistics should be compiled for an entire year.

The CHAIRMAN. Do you think that the month of November is an average month of the twelve?

Mr. PETERS. I doubt if you can say any one month is an average month of the twelve.

The CHAIRMAN. Both May and October have 31 days in each month?

Dr. LORENZ. I have the exact figures of revenues by months in the passenger train service of that year and I find that the average for the year was 50.3 millions, the revenues for November were 49.4 millions, as close almost as any month, except December, which was 50.6 millions, and June, 50.8 millions. That was in the passenger department alone. In the total operating revenues November is not quite as representative a month as it is in the passenger department alone.

The CHAIRMAN. Have you the figures there?

Dr. LORENZ. The total operating revenues for November were 248,000,000, as against an average of 217,000,000 for the year.

Mr. BALDWIN. Would not that tend to throw a larger proportion of the distribution of expenses on to the passenger service?

Dr. LORENZ. I should think a larger proportion to the freight, would it not? If the freight business is relatively heavier, and if the department used the method of dividing the common expenses according to the assigned expenses, it would tend, would it not, to make the proportion of expense chargeable to freight a little heavier?

Senator WEEKS. Do you know whether that is a fair average for other years?

Dr. LORENZ. No, sir; I could not say. I think it is hazardous to base conclusions upon any one month, but for that particular year I do not think November was such a bad month to take.

Mr. SCOTT. If I might be permitted to make a suggestion, I might say that I am a little more familiar with the Pennsylvania Railroad than the general figures. During the month of November, as I

recall it, the passenger earnings were about $25,000 in excess of the average for the other months in the year. The freight earnings were $1,300,000 in excess of the other months of the year. Where these two proportions between the two classes of service are thrown out of joint, as compared with the average for the year, that basis of apportioning expenses puts to one service or the other an unusual proportion for that particular month. I do not think there is any month in the year that could be taken as a typical month for the operations of a railroad. The traffic changes very much at different periods of the year.

The CHAIRMAN. If any one month is taken, do you think November would be an average month?

Mr. SCOTT. It might be one year and not in another. I do not think anybody could say that without a very careful analysis of all the figures.

The CHAIRMAN. You know that July would not be a fair month?

Mr. SCOTT. It would be unfair because in July we have a very heavy passenger business and sometimes a very light freight business. On some roads, however, we have a heavy freight business; for instance, on the roads carrying coal to and ore from the Lakes.

Mr. WISHART. I would like to say for the New York Central that 1909 was not a representative year, because in that year we were recovering from the panic, revenues were low and expenses were very low because we had clipped them following the panic of 1907.

The CHAIRMAN. That would be applicable to all kinds of service and to all seasons of the year.

Mr. WISHART. I do not know that it would. I do not think the proportion of the expenses which were abnormally low would be representative.

The CHAIRMAN. Is it not true the country had recovered more from the panic in November than it had in the earlier part of the year?

Mr. WISHART. No; for if we were using the fiscal year, November would be the early part of that year.

The CHAIRMAN. In other words, November of the calendar year is getting about as far away from the panic as you could in that particular calendar year?

Mr. WISHART. Yes; that is true; but we did not feel the full effect of the panic in 1908.

The CHAIRMAN. But you were recovering from it in 1909?

Mr. MACK. I think, on the question of expenses, the classification of expenses would be different and the apportionment of the expenses would be different in November, perhaps, as compared with other months. I think Mr. Scott is more familiar with that particular phase than I am, but, as I recall, that was one of the points of the difference in November, the character of the expenses and the basis of the apportionment made as not a fairly representative month. Is that correct, Mr. Scott?

Mr. SCOTT. The conditions in 1909 were different from what they are to-day; that is, the railroads were in the habit, up to about the close of 1909 or sometime in 1910, of adopting a program, which we call the amount of rails, ties, and bridges that were put in during the year. We apportioned these to our expenses on the monthly basis with the idea of closing out the expenditures for the year in the first 10 months; therefore, that left the charge for November and December in that

year very light. I am only speaking with relation to our own lines and I do not know what the general practice was. Those months would not receive their fair proportion of the heavy charges for maintenance during that year. Since then those charges have been apportioned to the entire 12 months' period and probably in the present year, or some other year than 1909, November would have gotten a more fair proportion of its charges.

The CHAIRMAN. Are there any other questions on that particular feature?

Mr. STEWART. I would like to ask whether any road which is represented by the railway-mail pay committee made any objection to the selection of the month of November at the time it was made?

Mr. PETERS. I do not think so. I do not remember of any objection.

Senator WEEKS. When was it made?

Mr. STEWART. In the fall of 1909.

Senator WEEKS. When was the month of November originally selected?

Mr. PETERS. Some time after the October meeting.

Mr. STEWART. It must have been before the October meeting. We had a joint meeting of the officials of the department and the officers of the railroad companies interested.

Mr. SCOTT. Was not the month of November selected because it was the most available month after the form was agreed upon?

Mr. STEWART. I think so.

Mr. SCOTT. None of the railroads knew for what purpose the figures were going to be used and they did not know until after Document 105 came out?

Mr. STEWART. I beg your pardon. We were consulting with all the representatives of the railroads both as to the matter which was to be submitted on the forms in accordance with our instructions and they were fully acquainted with the premises. As a matter of fact, as I recall it now, I think our original purpose was to select October but neither the department nor the railroads could get ready for it in October and we then agreed on November.

Mr. PETERS. December would be abnormal on account of the holiday business in that month and could not be selected.

The CHAIRMAN. As I understand, the department and the railroads had no serious objection to November; it was about as representative a month as any month could be?

Mr. BRADLEY. The condition, I would say, would be this: No single month of the year can be regarded as representative in all respects, and any conclusions derived from a single month's statistics should be scrutinized very carefully.

The CHAIRMAN. As I understand your statement here, you take practically the same position now on the division of expenses between passenger service, freight service, mail service, and express service that you took in your original answer to Document 105?

Mr. PETERS. Yes; that is the case.

The CHAIRMAN. And that there is now the same difference between you and the department that there was when you made your statement before?

Mr. PETERS. To sum it up, it is the difference in the percentages resulting from the methods used in the distribution of expenses and in the distribution of the space.

The CHAIRMAN. On the question of overpayment or underpayment, I understand you take the same position that you originally did, excepting that you have reached a conclusion that there was a greater underpayment than $15,000,000 if you received reasonable compensation for the service rendered. Is that right?

Mr. PETERS. I think we showed that in our full analytical reply to Document 105. The figures varied according to the different percentages that were worked out.

The CHAIRMAN. In other words, your idea is now, as it was when you made the original statement representing the railroads, that the railroad companies are underpaid instead of overpaid, and the amount of underpayment is as much as $15,000,000?

Mr. PETERS. Yes.

The CHAIRMAN. Your position with reference to dead space is the position that was taken by the railroad companies in the former statement?

Mr. PETERS. That is true.

The CHAIRMAN. And there is no difference in your position on that, and there seems to be but very little difference so far as the Post Office Department is concerned, so that there is the same difference between the Post Office Department and the railroad companies on the question of dead space that has existed all along?

Mr. PETERS. Yes.

Mr. BRADLEY. Might I suggest a thought there? I think the difference comes from this thought: That the Post Office Department, in making this inquiry, felt that it was their duty to the Government to only accept the space which they believed was actually needed for the direct purposes of the mails, overlooking, I think, the fact that in conducting this inquiry they were occupying a judicial position; they were taking note of the passenger and express service, and they should have made similar allowances in those services for what they did in the mails. I think that was a disadvantage, and that this investigation could have been more safely made by a neutral body.

Mr. STEWART. Mr. Chairman, upon that point we are not asking the railway mail pay committee to make any apologies for the Post Office Department. The Post Office Department does not need any apologies, neither does its officers, nor do we ask anybody to explain the results of Document 105, or our conclusions reached from using the statistics there.

The CHAIRMAN. Just before you begin, Gen. Stewart, I want you gentlemen to feel free, any one of you, to ask Gen. Stewart any question you please.

Mr. STEWART. I can not allow to go unnoticed this repetition of the statement which has been reiterated here that the Post Office Department had an ulterior purpose to reduce the pay of the railroad companies by reducing the assignment of space, and even though it may be indirectly insinuated in the remarks of Mr. Bradley, I still challenge it in the form in which it is presented this morning. As a matter of fact, we were not under stress or under any assumed obligations to

consider these railroad statistics in any manner other than in a judicial frame of mind. We did not consider ourselves bound to reduce the allotted space to the mail service. We did not consider ourselves under obligation to schedule the space submitted by the railroad companies upon the basis of the actual space needed for the transactions of the mail business without regard to other considerations, and that statement has been made so many times in the face of our repeated denials and the documentary evidence, that I now feel it incumbent upon me to bring it to the attention of the commission again in this most emphatic manner.

I want to call your attention to what I have stated specifically upon those points in my brief on pages 1013 and following, and particularly upon page 1016, where I set out in detail the rules for the allowance of that extra space in the full-car service, where they run the cars and the movement was necessarily incidental to the mail service. That constitutes a large part of the claim that we did not allow them for dead space. The space we scheduled as "deadhead space," and they got credit for it. The "dead space," about which so much has been said and about which so little seems to be understood, was the space which we determined to be dead space after having examined the data submitted and found that it had no necessary relation to the mail service. This comprised such cases, among others, as where a railroad company would run a 60-foot car beyond the terminus of its authorized run, the dead space had no relation to the mail service and we should not pay for it. Where they run a 60 or a 40 foot car to fill in a requisition for a 30-foot apartment car, instead of furnishing a 30-foot apartment car, they prefer to run the full car and charge us for the full space when we did not need it and did not ask for it, those items are items of dead space that we have scheduled as dead space and which the department and the Government should not pay for.

The CHAIRMAN. I want to ask you, in making your computation, is the statement that has been made more than once, to the effect that you called for a 60-foot car one way and a 40-foot car on the same road the other way, true?

Mr. STEWART. Yes. That is an agreement line. It may be two half lines or it may be an agreement line; but, Mr. Chairman, in those cases the instructions required that the company be allowed the full 60-foot space in each direction.

The CHAIRMAN. That was the point I was trying to get at. You allow them for that space?

Mr. STEWART. Yes; it was our purpose to do so in this Document 105. I shall call particular attention to the manner in which this paper of the railroads has been prepared when I file a statement in reply to it, which I hope the commission will give me a few days to do. There is a difference between the practice of authorizing cars and the practice which we followed in scheduling the space in Document 105. I believe this railway mail pay committee knows that that distinction exists and yet they did not point it out in this brief.

One further point which was mentioned by Mr. Bradley, is the question as to whether the department, having rejected what we call dead space in the mail service, should not have rejected what the railroad company calls dead space in the passenger service. That

appears to be plausible, but I think—and I urge it upon your consideration—that there is a fallacy at the base of this for this reason: That the Post Office Department and the railroad companies are not on a parity in this matter. The railroad companies are conducting a general railroad business, they must have maximum equipment, they must have all the facilities for conducting such a service. If they operate dead space in connection with their passenger service, that is a loss of their own. Every foot of dead space in the passenger car represents some appropriate item or proportion of expense in operating the railroad. Who is paying that expense? Who is responsible for it? The railroad companies, and not the Post Office Department. It would be unscientific, in my judgment, and very unfair to the Post Office Department, the express company, if you please, or any other shipper, to say that in order to apportion the expenses to the mail service, the express service, or to some other shipper, that before you do that you must count out all dead space in passenger service. It seems to me the statement upon its face carries its own refutation, its own condemnation. That has been repeated so many times and I think it is so fundamentally fallacious that I want to impress it upon the attention of the commission that any such method of that kind would be both unscientific and unfair.

Mr. PETERS. You ask who is paying the expense of that dead space. You say that there is all sorts of dead space in the passenger service, and it is all part of the railroad operation and the railroad is paying the expense. It is not the railroad that is paying the expense, but it is the user of the railroad. The user of the railroad is the shipper of freight or the payer of individual personal transportation, or the shipper by express or the shipper by mail. The dead space incidental to each one of those services must be charged up to the service to ascertain the exact accurate proportionate cost of expense for conducting that part of the service. You can not attempt in any other way to divide your space and analyze the cost of each particular expense on the basis of car-foot mile or space on the trains, without apportioning to each one the live and the dead space belonging to each one.

Mr. STEWART. The principle you announce is very true, and we only differ in its application. We took all the dead space, so called, which we could distinguish as "deadhead space"—that is, the space which was dead and which was necessarily used in connection with our service—and charged it to mail service.

Mr. PETERS. Did you?

Mr. STEWART. It was only that space we did not need and did not require and which was run for the convenience of the railroad companies, and not necessarily incidental to the mail service, that we placed in the other column, "dead space," and charged it to the railroad companies. Now, coming to your other proposition, theoretically you are right that dead space necessarily incident to the several services should be charged up to the respective services; but that is not what you gentlemen want to do. In your diagram here you denominate dead passenger space and give it a percentage of 23.09 per cent of the entire space, and what do you want to do with that? You do not want to charge that up to the patrons of your passenger service? No; you are going to cut that out entirely and throw the

proportional part of the 23 per cent onto the mail service, if I understood you correctly.

Mr. WISHART. You just pointed out it is more than 50 per cent of the passenger space. It seems to me you are taking the same position for the Post Office Department as a passenger would who would say, "I will not pay the regular fare, but I will only pay for one-sixtieth part of the cost of operating the passenger car," leaving out the fact that the railroad must carry some empty space.

Mr. STEWART. The examples are not comparable. You are running the railroad. You furnish the equipment, and you must pay the expenses of that equipment. We are not running the railroad, but we are asking you for a certain equipment. We ask you for a certain amount of space in the passenger train which is necessary for the transaction of our business. You give us more than we need, and you want to charge us with that additional cost.

Senator WEEKS. Do they always give you more than you need?

Mr. STEWART. Not always.

Senator WEEKS. Would it be a practical thing to give you exactly what you need on every train every day?

Mr. STEWART. Approximately so, with this exception: Where the movement requires the return car of a larger dimension, it would not always be practical for them to furnish a smaller apartment or a smaller car; but bear in mind that we took into consideration that state of facts, and in regard to the full-car service we gave instruction to give them full credit for the entire length of the car.

Senator WEEKS. Is it not always true that the amount of mail carried in one direction is greater than in another, and therefore there must be more vacant space on one part of the trip than on the other? Would you contend that that return space which is not used should be furnished without pay by the railroads?

Mr. STEWART. No; in our plan which we have proposed here we are proposing to give them credit for the return space; and in Document 105, in considering the full-car movement, we gave them, as I understand, credit for that return space.

Mr. BRADLEY. What proportion of that dead space was included in that allowance? What proportion of the total dead space was included in the full railway post-office al owance?

Mr. STEWART. I do not recall.

Mr. BRADLEY. In the case of the Pennsylvania Railroad it was 6 per cent.

Dr. LORENZ. Perhaps I can furnish the figures on that point? The deadhead space the department allowed was 1.7 per cent of the total mail space. The dead space that they disallowed was about 22 per cent of that same sum.

Mr. TUTTLE. In the case of this example cited at page 38, where a 60-foot car is needed westbound and the department only needs a 40-foot car eastbound, what has been the practice of the department in cases of that kind?

Mr. STEWART. Under Document 105, or under the practice of the department?

Mr. TUTTLE. Under the practice of the department?

Mr. STEWART. The practice of the department is to authorize an agreement line with pay equal to the pay of a 60-foot car in one direction plus the pay of a 40-foot car in the other direction, if agreed

to. There are a number of cases, however, where half lines are in existence, apparently inaugurated under a tacit agreement many years ago and which still continue to be paid for as half lines, the companies not having refused to furnish the cars, but run them for that pay. If the company should refuse to furnish a car and run it at half-line pay, that is, pay for the car in one direction, the department would authorize a full line.

Senator WEEKS. According to the figures which Dr. Lorenz has just read, you have allowed something like a little less than 2 per cent of the mail space to be counted as used and have eliminated about 22 per cent. How did you arrive at the amount of vacant space that you are willing to pay for?

Mr. STEWART. On full car lines the rules are fully set forth on page 1016 of my brief and they practically allow the railroad companies for the excess space in all cases of authorized lines where the returning of the car is necessary for the conduct of the service. Regarding apartment car lines the rule is set forth on page 1015. "Where the railroad reports cars longer than those authorized by the department, enter the authorized length in column 11, Form 2601, and enter the excess space in an additional column to be headed 'Linear feet of the cars—dead space,' and its car-foot mileage to be computed and entered in another additional column headed 'Car-foot mileage—dead space,'" and that was charged to the railroad companies.

Senator WEEKS. Let me take a concrete case. Suppose there were 100 tons of mail shipped out of New York City to-day over the New York Central Railroad going west, and to carry that 100 tons it required 10 cars. Those cars have to be brought back, and suppose, on their return trip, they only brought half as much mail. Would you pay for the whole space on the return trip?

Mr. STEWART. Yes, sir; where the cars are authorized.

Senator WEEKS. Would you, under this arrangement which you instance in that report?

Mr. STEWART. I think we would.

Mr. BRADLEY. Senator Weeks, in the illustration he submits, evidently had in mind storage cars. It is my recollection that Document 105 would not have allowed for the five empty cars returning.

Mr. STEWART. It is possible, in connection with the storage cars, we would not have allowed for the return movement of the car unless it was used by the department, but in that connection it must be remembered that the railroad companies have the privilege of using these storage cars; that the department, unless it takes the use of it, has no jurisdiction over the car at all, and that in many cases the companies do use the cars in return movements.

Senator WEEKS. Suppose conditions were such that they could not make any use of them?

Mr. STEWART. We have proposed, under our plan of bill, to pay the company for that return movement.

Mr. PETERS. How about Document 105?

Mr. MACK. The dead space includes the return of the storage cars, as I understand. Part of the dead space that is in question includes the return movement of the storage cars.

Mr. STEWART. If they were not used.

Mr. MACK. We have an illustration on the Missouri Pacific of the fast mail. We carried at that time a Pennsylvania storage car from New York to Kansas City. The return space was not included in the allowed space by the department, but it was embraced in the dead space which is in dispute and as we go further along I will be glad to illustrate the actual application of the department's figures to our service between St. Louis and Kansas City and between St. Louis and Texarkana, two lines where I have the space which we reported and the space which the department allowed, and space which they included as deadhead space and the space included as dead space, and it will show that part of the return movement of the railway post-office cars as well as the return movement of the storage cars, was embraced in dead space.

Senator WEEKS. You might give that concrete illustration.

Mr. SAFFORD. We had, at that time, as I recall, two lines, one a 60-foot authorization southbound and a 40-foot authorization northbound. The other, I think, had a 40-foot authorization in both directions and, as a matter of fact, we operated 60-foot cars. Those cars were fully loaded southbound, but not fully loaded going north. It appears from the figures in Document No. 105, that the extra loading which occupied all the space southbound was credited to the storage space, but the northbound movement of those cars provides for their return southbound and it is charged to dead space and not to deadhead space, so that, in that case, it was not regarded as deadhead movement, but as a dead space.

Mr. STEWART. What was the authorization?

Mr. SAFFORD. Sixty feet in one direction and 40 in the other.

Mr. STEWART. They came back as apartment cars?

Mr. SAFFORD. No; they came back as full R. P. O. cars in northbound movements. As I recall your instructions, if we could show that that space was fully used in the opposite direction, we are credited with it. In the case of an authorization of greater length in one direction than the other with the postal car—not the storage car—unless you could show on those returns that the space in excess of the authorization was actually used for mail purposes, no allowance was made by the department. Here is a concrete case, and it does not show proper credit to the return movement, but shows it charged to dead space; but the full use of the car southbound, notwithstanding its authorization of 40 feet, was credited to storage space as it was used for that purpose.

Mr. STEWART. I want right there to read the rule regarding the agreement lines and the half lines, which I assume will cover Mr. Safford's case. I can not take up here the results stated in Document 105 and analyze them with reference to the reports that are on file, which are the basis of the document. I can go to the department and do that, however. The results stated in Document 105 are intended to be the results obtained by the application of these rules, and, so far as I know, they are. There may be instances where it is possible the rule might not have been actually applied, but I do not know that that is actually the case.

Mr. BALDWIN. You speak in the case of storage cars that the payment for the return movement may depend upon the question of whether the car was used by the Government or by the company. Who decides that question? Is that passed upon at the time by an

inspector of your department, is it a matter of evidence? Suppose it was partly used, suppose it might be used in a slight manner? Is it a subject of dispute or investigation and when will it be decided and who decides? That is a large item of space.

Mr. STEWART. What kind of a case are you proposing?

Mr. BALDWIN. The case that you suggested, that in storage cars the return movement is called dead space according as it is used by the department or by the railroad. "Use" is a very loose term and somebody has to decide how much use you mean, when it is to be decided and is that one of those things that is open to dispute? That affects the whole space basis very seriously.

Mr. STEWART. We had before us two classes of reports, one from the railroad companies and one from our field officers. In addition to that we had our actual authorization as shown on the books of the department and we used all that data to reach a result.

Mr. BALDWIN. You decide it, do you?

Mr. STEWART. We used them all.

Mr. BALDWIN. Who decided that question as to whether the car is used or not?

Mr. STEWART. You say "decides." What do you mean—at this time?

Mr. BALDWIN. Yes; every day.

Mr. STEWART. The Railway Mail Service would decide that, because they have to use the car—because they know of the use of the car?

The CHAIRMAN. You mean the superintendent of the division?

Mr. STEWART. The superintendent of the division.

Mr. MACK. Gen. Stewart says with regard to whether the car was used or not. I would like to ask about the reports from the Post Office Department. Were those reports based upon actual observations during the period of statistics?

Mr. STEWART. Based on the actual operation.

Mr. MACK. During the period of statistics?

Mr. STEWART. Yes. Now, in regard to the closed-pouch service, as it affects this question of dead space, and to show the commission how unfair, as it appears to me, the contention of these gentlemen is in charging to the Government what they call dead space, I want to call your attention to their instruction, which this same railway mail pay committee gave all the railroad companies with reference to reporting dead space in connection with closed-pouch service, and I read from what I said of the instructions on page 102 of what is known as the preliminary report: "The railroad companies, generally, reported the space used by the mails at the maximum of operating conditions, whether warranted by the needs of the mail service or not."

Now, I pause there and say there can not be a possible question on that point. It is true that every railroad company reported every foot of space at the maximum run, whether it was needed by the department or not. It was their duty to report all train service, for we could not have had a complete report of train operations without it, but when the reports came to us it was our duty to determine how much of that train service was run in connection with the mail service. To continue: "An examination of the instructions of the various companies to their employees in regard to reporting closed-pouch space, indicates that no matter what the size of the baggage car utilized, the mail service, even if the mail was very light in weight

and quantity, was charged with unused space in the baggage car proportional to the amount carried." If we had only two pouches in a baggage car and they had two trunks and two express packages, we would get one-third of the baggage car on that report, provided the pouches, trunks, and packages occupied the same amount of live space respectively. Two pouches is taken only to show proportion to other articles. (There was a maximum amount of space fixed for that number.) It is only necessary to state that fact to show how unfair that was to the Government.

Senator WEEKS. If the Government used one-third of the space in the car that was occupied, why is it unfair to the Government?

Mr. STEWART. But the Government did not use the space.

Senator WEEKS. As I understood the statement you made, there were two trunks, two packages of express, and two pouches of mail, and that is all there was in the car?

Mr. STEWART. Yes.

Senator WEEKS. Then, the Government used one-third of the space that was actually used, did it not?

Mr. STEWART. I think not. We did not control the operation of that car.

Senator WEEKS. Did not the Government use one-third of the space that was actually used by any one?

Mr. STEWART. I do not think so. We used the space that was properly allotted to the two pouches of mail. How can it be said we used a third of the car to carry the pouches of mail?

The CHAIRMAN. You would not say the express company used a third of it?

Mr. STEWART. No.

The CHAIRMAN. You would not say the railroad company used a third of it for the baggage car?

Mr. PRENTISS. They paid for it.

Senator WEEKS. Who?

Mr. PRENTISS. The passengers on the train.

Senator WEEKS. Then why should not the Government pay for the mail?

Mr. PRENTISS. Because they put the mail there, and they were not obliged to.

Senator WEEKS. There is nothing in that proposition, if I understand it. Somebody has to pay for this space and either the passenger, freight, mail, or express has to pay for it and if the Government uses one-third of the space actually used in the car, that it is necessary to run, then the Government ought to pay one-third of the expense.

Mr. STEWART. Mr. Prentiss has said that the passengers pay for that space; that is, their fares pay for it.

The CHAIRMAN. That is all right. You charge that one-third in which the baggage is found to the passenger service; there are only two trunks there, but the passengers have to pay for the whole space. Here is the express, and the express occupies one-third of it and they must pay for one-third; but, as a matter of fact, they have only two packages there.

Mr. MACK. With regard to the express service, the understanding was that the express service participated in the same division as the mail in the railroad reports of space. So that although the rail-

roads reported correctly, the department cut out nearly all the mail space in such cases and charged to dead space.

The CHAIRMAN. It seems to me, according to your statement of two trunks, two express packages, and two pouches of mail, there ought to be an equal division.

Mr. BRADLEY. Might I suggest that the closed-pouch service, according to the department's own figures, was only 2.82 per cent of the total mail space reported by the document 105. While it is well enough to quote it for illustrative purposes, it is of very small consequence affecting the results.

Senator WEEKS. Mr. Chairman, I think Mr. Stewart has, through his entire analysis of this question, put the Government on a different basis from other users of the railroad, and, in my judgment, that is where he may be wrong. I think he is wrong now. I do not think the Government has any superior right over the passenger as to space. The passenger rate is made by the Interstate Commerce Commission, and it is supposed to be a rate that will pay for the passenger's transportation and furnish space for the baggage if all the space were used. It seems to me the Government is on all fours with that proposition, because the Government might use a space which is furnished if there were mail enough offered for that purpose, but it does not prevent the necessity, from the railroads' standpoint, of the Government paying for that service.

Mr. STEWART. The passenger in the passenger car not only pays his fare for his passage in the car, but he pays for the proper amount of space in the baggage car for his baggage, whether he uses it or not.

Mr. PETERS. That is likewise true of the dining car and the observation car.

Mr. STEWART. There is no analogy in my mind between the two cases. We have nothing in the passenger car; we have no right there and we have no mail there. We have not paid for anything in the passenger car.

Senator WEEKS. Neither has the express company.

Mr. STEWART. I am not speaking for the express company; whatever arrangement there may be between the railroad company and the express company, I can not answer for them. However, as to the mail service, I can not see any justice whatever in charging up the full space of a baggage car to the mail service, passenger service, and the express service on the basis of what happens to be in that car at the time. If the Government was running the railroad and we were responsible for that car, I think we would be responsible for everything we put in it and there might be some more justice in the contention that everything that was in that car, whether the car were a third full, half full, or wholly full, should participate in the total expenses of the car. But that is not the situation here. The railroad company is conducting the service independently of the Government, and we simply go to the railroad company and ask for certain facilities for the transportation of the mails. If on the closed-pouch train we have only a few pouches to dispatch, I do not think that after mature consideration any of you will come to the conclusion that the Government ought to pay for a third or a half of a car just on account of the conditions that will differ from day to day as to the contents of the car and over which the department has no control except as to mail matter.

Mr. PETERS. Do you not think the Government should pay for part of the aisle way and the space necessary to get that pouch to the door and put it out?

Mr. STEWART. Yes; I think so, and we allowed for that.

Mr. PETERS. We could not see where you allowed for it.

Mr. STEWART. We believed we did in the amount of space we allowed. On the weight basis we allowed for the space the pouch would occupy.

Mr. PETERS. You allowed 6 inches for 200 pounds.

Mr. STEWART. For 100 pounds.

Mr. MACK. That would be, for instance, in this case, 6 inches of the linear length of the car instead of one-third.

Mr. STEWART. For 100 pounds.

Mr. MACK. I am speaking now, for instance, of the illustration of two pouches, which would be 6 linear inches only in the car allowed to the mail.

Mr. STEWART. The rules we adopted in regard to that are set out on page 1015. It reads as follows:

*Closed-pouch space.*—The following basis for the estimate of the space in baggage cars devoted to mail service for closed pouches during the month of November, 1909, in connection with the railroad companies' reports, will be observed:

For 100 pounds or less, allow 6 linear inches.

For weights above 100 pounds and not exceeding 200 pounds, allow 10 linear inches.

For weights above 200 pounds, allow 5 linear inches for each additional 100 pounds.

The weight will be ascertained by multiplying the maximum number of pouches and sacks reported by the company as carried at any one time by the average weight of pouches and sacks as shown by the report of the General Superintendent, Railway Mail Service, upon the actual weighing for 10 days of closed pouches on express trains, namely, 20 pounds.

Mr. BRADLEY. It seems to me the distinction is in the attitude of the Post Office Department toward the railroad at one time and at another. If Gen. Stewart, as a representative of the Post Office Department, were going to ask for a rate on the movement of mail as a shipper would, he would have a right to point out what space he would need, but the railroad company would then make the rate and would also take into consideration the incidental space which would necessarily have to be operated. In this case, however, it was an ascertainment of cost, a judicial process, and, nevertheless, I think the Post Office Department considered itself as a shipper.

Mr. SCOTT. Taking the illustration of the baggage car with the two pouches of mail, two packages of express, and two trunks, the railroad companies would have no fault to find if the entire unused space in that car had been eliminated and the calculation based upon the actual use of space. That would have been perfectly satisfactory to us. The fact is that the space was measured for the amount that was occupied by the mail, express, and the baggage and the empty space proportioned on the basis of square feet used. If there are two trunks in there, the space occupied was counted for that as so much in calculating the dead space.

Mr. STEWART. Mr. Chairman, I arose only to reply to Mr. Bradley's suggestion and I have done so. I do not want to continue the desultory discussion if you want to take up other features.

Mr. MACK. With regard to the dead space, this is, of course, a vital matter in the determination of the question of overpay or underpay, and perhaps some actual illustration of the use of the space would be

illuminating. For instance, on the Iron Mountain we run a train out of St. Louis, No. 3, with two 60-foot cars; one of them was allowed at 60-foot and one allowed at 40-foot, the authorized space, and in that car 15 feet of the space was allowed for storage, upon the judgment or opinion of some of the officers of the Railway-Mail Service. There was an overflow of mail in the baggage car of 9 feet of space. The department eliminated and ignored the space that was occupied in the baggage car and 5 feet of the space that was used in the outbound trip of that car, making 14 feet of dead space. On the return run of that car the department did not allow for any space at all, although the car was necessarily returned as an empty car. In the case of the evening train out of St. Louis they pursued the same course. In the case of the fast mail train they allowed full space outbound, but on the return movement they disallowed 20 feet of the return space in the car, on the theory that it was not occupied; 20 feet was charged to dead space. So, throughout, we find that experience. On the Missouri Pacific we find an exactly similar situation, the return movement is not credited on the basis of the actual use of the space outbound, either as to full railway post-office cars or as to storage cars. On the fast mail train, westbound, we reported 312 feet of space. The department allowed 100 feet of space deadhead, but charged 92 feet of the space as dead space, although we had to return that space, some of which was in full postal cars and some of it in storage cars—60 feet in the storage car. That will demonstrate that the practice was not in accordance with the illustration of Mr. Stewart.

Mr. STEWART. I do not think you can say that without analyzing the report that we have on file. It is manifestly impossible to reach a reliable conclusion by bringing your papers in here and reading data from them without comparing them with the department's files and ascertaining the reasons for the action taken in the department's case. I would be glad to go over that with you personally at some time in the future.

Mr. MACK. These figures I got from the department, and I only wanted to illustrate the point that the practice was not actually in accordance with Gen. Stewart's information that the return space was based on outbound trips.

Mr. STEWART. Undoubtedly there were good reasons for disallowing that space as deadhead space. That, however, will only be disclosed by the papers themselves. At another time I will have the papers examined and submit a statement on this case.

Mr. MACK. I think the matter is so vital, because it is the dead-space proposition that really determines the question of underpay or overpay, and I think the cases show for themselves that if we used the car in one direction that same car had to come back with the same space—not 15 or 20 feet less—and it should not properly have been classified by the department as it was, dead space.

Mr. FAIRFIELD. I think that there is one case that illustrates that more clearly than any other, and that is the case of the Union Pacific. The westbound mails occupy from 75 to 78 per cent of the total mail. They operate from three to four storage cars every day westbound, full 60-foot cars, and the department allowed the space westbound. I state, as a fact, that they did not allow any space whatever for the

return movement of those cars, which were returned empty in every case.

The CHAIRMAN. How do you know that?

Mr. FAIRFIELD. From a comparison of the figures and the facts as we know them. We have no use for the cars eastbound. We have to take three and four storage cars eastbound.

The CHAIRMAN. How do you know that in their computations?

Mr. FAIRFIELD. Because a comparison of the figures shows in their statement.

The CHAIRMAN. They say, however, that they have figures of their own and they were not necessarily governed by figures in Document 105.

Mr. STEWART. Hardly that. I do not mean to say that.

The CHAIRMAN. Then I want to get that straight, because that is important. You intimate that Mr. Mack's statement is incorrect because he did not have your figures?

Mr. STEWART. I do not know what papers he has there.

Mr. MACK. While we were working on the joint committee, in order to determine just what the absolute dead space was, we ascertained on these two routes exactly what it was so that we could get some idea of what the department had classified as dead space, and, of course, the only way to determine the question was, as we suggested to Senator Bourne at that time, to make an actual compilation and comparison with respect to every route and every train. Now, if this is a fair illustration of what was disallowed as dead space, there is not a foot of space that was classed as dead space on these two routes for which there was any justification whatever.

Mr. STEWART. That is your conclusion. I have not gone into our papers at the department.

Mr. MACK. I think it shows on its face.

Mr. STEWART. I hardly think you could draw a conclusion from that.

Mr. BALDWIN. Do you not claim the right to absolutely decide that question in case of difference? Certainly, under your bill, you claim to have absolute power to decide that yourself against the railroads?

Mr. STEWART. Under this provision we are suggesting to the commission?

Necessarily the department would have to have the determination of the space it uses.

Mr. BRADLEY. I think the case that Mr. Fairfield brought up was due to the fact that in the list of rules which Gen. Stewart read as having guided the department clerks in tabulating information, the storage cars are not mentioned.

Mr. FAIRFIELD. The point I wanted to bring out was the company had to run a large number of storage cars westbound and had to bring them back. That space was not charged to the mail service, but charged to dead space and to the passenger service.

Mr. STEWART. Did you use the cars in the return movement?

Mr. FAIRFIELD. No, sir.

Mr. STEWART. They were storage cars?

Mr. FAIRFIELD. They were storage cars.

Mr. MACK. With regard to apartment cars, I had one test case. I do not know whether this illustrates the general practice, because we

did not have the opportunity of checking over each particular route and each particular train, but I found on the Denver & Rio Grande, out of Pueblo, as I recall, we had a 30-foot car and the allowance for the return trip was a 15-foot car instead of 30-foot as we took out, based upon the authorization of the Railway Mail Service that that was all they needed coming back. Of course, we had to bring back the same car we took out and the same space. Am I correct? I think Mr. Prentiss gave me those figures. Whether that illustrates the general condition, I am not sure, but I think it would be illuminating, if my statement is correct, to show the general practice with regard to the apartment car.

Mr. PRENTISS. I think what I endeavored to show for you from the figures of the department, was the difference between the figures actually rendered by the company and the figures taken by the department. That is all that was intended to be shown. There were certain relationships there which the department considered, which were not shown in your table. It is simply a statement of facts.

Mr. MACK. But it is correct with the apartment car service, the return space was not authorized to equal the outbound space?

Mr. PRENTISS. I do not remember the exact instance.

Mr. MACK. It is a very important factor because there is so much of the apartment car space, and if that is true, it would make a great difference in the question of underpay or overpay?

Senator WEEKS. Taking those figures that Dr. Lorenz submitted as to the amount of space allowed, suppose the entire vacant space was paid for; how much money would it take, Mr. Stewart?

Mr. STEWART. I really do not know. I do not think we have made that calculation.

Mr. MACK. In case that principle were applied throughout, that would put us on the basis of the joint committee figures of 3.37 mills and 4.34 mills per car-foot mile; and I can give you the figures based upon 189,760 miles of railway, which would show under pay of $13,190,724; but for the full mileage which existed, which was 16 per cent more—226,071 miles—the underpay would have been $15,301,293.

Mr. SAFFORD. I was going to state in order to support the gentleman who referred to the unequal movement allowed with regard to mail apartment cars, the current schedule of mail trains, dated January 20, 1914, published by authority of the department, shows that they are still pursuing that practice; that is to say, they show a car of one size operated in one direction, a car of another size operated in another direction by a corresponding train. The table I have before me shows a 20-foot car in one direction, 12-foot car in the other, and on another train a 10-foot car in one direction and 6-foot car in another, and that runs all through this schedule of mail trains, and it illustrates the fact that at least some officers of the department still have that idea in mind, and they probably got their idea from the practice pursued in the compilation of Document 105.

Mr. STEWART. Document 105 did not change any practices of the department at all.

Mr. SAFFORD. Here is the illustration.

Mr. STEWART. I am familiar with the illustration, but are those the same cars in each case?

Mr. SAFFORD. The same cars; yes.

Mr. STEWART. It would have to be for the same round trip or the illustration would not have any weight.

Mr. BALDWIN. Are there any 6-foot apartment cars?

Mr. STEWART. I do not know whether there are any actually operated. The smallest size recognized is 9 feet.

Mr. BALDWIN. Those cars are not 6-foot cars?

Mr. SAFFORD. No, sir; those cars are 30-foot steel cars.

Mr. BALDWIN. And 6 feet is allowed?

Mr. STEWART. There is no formal authorization for an apartment under 40 feet.

The CHAIRMAN. Do any of you gentlemen want to make any further statement on volume No. 7?

Mr. PETERS. Mr. Chairman, I want to say just this: We might talk to doomsday over Document 105 and volume 7. Volume 7 is a reiteration of the belief of the department in the correctness of Document 105. Our statement here is a reiteration of what we have submitted heretofore, that Document 105 is unreliable. Mr. Stewart is so clever an advocate and he is so sincere and earnest in supporting his view that he is not going to yield. We feel the same way; we feel that we have been misrepresented; we feel that the facts have been incorrectly shown and improper deductions drawn, and that we are constantly being put before the public as taking what does not belong to us, when we sincerely believe and know that we are not paid properly for the service performed, and we have been sustained in our position by a fair and disinterested expert who has heard all the evidence, and that is Dr. Lorenz. Dr. Lorenz reaches practically the conclusion that we do. We are ready to rest our case on the statements in volume 6. You may go on and discuss this thing for months, but you will not get any nearer, because we will not surrender our position and we can not.

The CHAIRMAN. If you were shown that your position was wrong you would give up?

Mr. PETERS. Dr. Lorenz has shown our position is right. The statement here as to the deadhead mileage, 22 per cent of the total car-foot miles furnished in connection with the mail service as reported by the railroads, is thrown out and shown in here as dead space. There was only 1.72 per cent of the mail space that was deadhead space and that they allow. All of these facts have been fully analyzed by Dr. Lorenz and he draws a different conclusion from Mr. Stewart and he practically coincides, from different lines of reasoning, with the conclusions of the railroads. We are ready to leave our case in your hands.

Mr. STEWART. In regard to that, may I say one word? Dr. Lorenz is here; I can not speak for him, but Mr. Peters seems to think that he can speak for him. I think it fair, although Dr. Lorenz has not said so, that when he made that statement, which the railway mail pay committee has put in this brief, and it has been referred to by Mr. Turner and others, Dr. Lorenz certainly had not heard the explanation the department gave in regard to dead space. I say I will not speak for Dr. Lorenz, but surely how could Dr. Lorenz pass judgment upon a case until he had all the facts before him? I submit that inquiry.

Mr. WISHART. As to the New York Central lines, whether or not document 105 proves that we were underpaid or overpaid in 1909,

I want to say there has been a great change in conditions since that year, because we have proved in the rate cases, or attempted to prove, that the operating expenses have gone up out of all proportion to increase of business since that year.

Senator WEEKS. You say in this statement which you have submitted to-day that gross revenue has increased 17 per cent and operating expenses have increased 29 per cent.

Mr. WISHART. I say they have grown out of all proportion to business. This is a 10-year statement prepared for the advance rate case, it is a consolidated statement for the New York Central lines, and I thought it might be of interest to the committee to know to what extent the mail revenue has decreased on all those 13,000 miles of road. We have here, comparing 1913 with 1904, for instance, $208,000,000 of freight revenue against $126,000,000 in 1904, $72,000,000 passenger revenue against $47,000,000 in 1904, and $5,900,000 against $6,200,000 mail revenue. I do not think with the growth of the business of the country anyone could doubt that the mail also has increased. Express revenues have increased from $5,200,000 to $10,200,000.

Mr. MACK. I would like to put into the record at this point this brief statement, that from 1908 to 1912, five years inclusive, the postal revenues increased $63,159,007, and during the same period there was a decrease in the mail pay of $305,787. The Government practically had that $63,000,000 worth of revenue without the payment of one cent for the transportation of the mails which produced that revenue.[a]

Mr. STEWART. You do not mean to say we did not pay you for all you transported? You got pay for all you transported for us?

Mr. MACK. We did not receive one cent additional compensation for the handling of a business for which the Government collected from the people $63,159,007.

Mr. STEWART. Let me get what is in your mind, for I do not understand you.

Mr. MACK. It shows the Government revenue was increasing, from mail, very rapidly, but the compensation to the railroad companies during that period decreased. We had that $63,159,007 worth of business to transport for the Post Office Department, but got no compensation for that increased business, as our mail pay was reduced instead of increased during that period.

Mr. STEWART. Between 1908 and 1912 the mail pay increased?

Mr. MACK. The postage. The Government revenue in the Postal Service increased $63,159,007. In other words, it produced $63,000,000 more worth of business and the railroad companies did not receive one cent more for transporting that great volume of additional business. The figures show that we had a decrease in railway-mail pay during that time of $305,787. Those figures are taken from the departmental reports.

Mr. STEWART. Your premises are not correct, and I would like the privilege of correcting the record.

The reports show that the revenue was increased about $55,000,000 from 1908 to 1912, inclusive. They further show that the expenditure for railroad transportation and cars for 1908 was $48,458,255.34 and for 1912, $51,691,301.21, making an increase of $3,233,045.87.

[a] For a corrected and supplementary statement submitted by Mr. Mack, see vol. 11, pp. 1316 and 1317.

Furthermore, between 1908 and 1912 the new divisor became effective in the three remaining contract sections, effecting a large decrease in railroad-mail pay. If the new divisor was justified, this decrease was a proper one and can not be complained of. The department believes this is true. Again, Mr. Mack's premise leaves out of consideration the reasons for reduction in pay resulting from the transportation of certain periodical mail matter in fast freight trains instead of mail trains, which amounts to approximately one and a half million dollars a year; also the reduction in mail pay as a result of the transportation of empty equipment, etc., in freight trains instead of mail trains.

The CHAIRMAN. At this point of the proceeding we will insert in the record a letter addressed to Hon. Jonathan Bourne, jr., chairman of the Joint Committee, signed by Mr. John N. Drake, secretary of the Short Line Railroad Association, together with a tentative draft of a bill transmitted with said letter.

WASHINGTON, D. C., *February 26, 1914.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman of the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mails, Congress of the United States.*

DEAR SIR: The Short Line Railroad Association desires to submit for the consideration of the Joint Committee of which you are the chairman, the accompanying tentative draft of a bill embodying suggestions for legislation in amending existing laws and equalizing pay for mail service on railroad lines.

This bill amends the present law in these particulars:

Increased pay for the weight of mail carried by the short line railroads.

Annual weighing of the mails.

Relief from side and terminal deliveries.

Pay for apartment-car space.

The basic principle of the present law governing the mail service on railroad lines appeals to us as fair and reasonable in recognizing the rights of the carrier and the Government in serving the public. No better proof of the law's efficiency to meet the requirements of the Railway Mail Service without embarrassment is needed than that which its record affords during the 41 years of its existence. During that time the length of the mail routes have increased from 63,457 miles to 228,618 miles, and the cost of the Railway Mail Service per annum from $7,257,196 to $51,466,030, without causing any friction or disarrangement of the service or any claim on the part of the Government or the carrier that the law so far as it went was not equitable and just to all concerned.

With the amendments proposed to correct certain inequalities in the old, reliable, and tried law without interfering with its general scope, there would be little if any room for improvement.

The association is of the opinion that not one of the tentative bills submitted for the consideration of your committee could withstand, year in and year out, a practical test to adjust the mail service to its growth with that degree of fairness shown by the record of the existing law without causing friction between the carrier and the Government and a general disturbance to the system that would operate against the public welfare. This is certainly true of the tentative bill submitted by the Post Office Department, in the submission of which an effort is made to convey the impression that the measure is intended to be just and equitable to all concerned, when as a matter of fact, so far as it applies to the short-line railroads, it is the reverse.

The association is willing to concede that the closed-pouch mail service is of "a simple character"; so also is the carrying of passengers, freight, and express. Because of the simplicity of loading and unloading mail bags, it does not follow as a sequence that a railroad should maintain a quick and efficient service for their transportation, provide car space, be liable for fines, and held responsible for the mail intrusted to it at a rate of compensation so small that it would not pay the cost of the employees' time in loading and unloading in the baggage car.

In the statements of short-line railroads carrying pouch mail only submitted to your committee, which appears on pages 831, 833, 840, 841, and 842 in No. 5 report of hearings, it is shown in a comprehensive manner that the present compensation of

carrying pouch mail is very much less than that derived from the express service of a similar character. On pages 32 and 33 of the preliminary report of your committee Mr. Robert Frazer, president of the Bellefonte Central Railroad, goes into detail of the expense incurred by his road—short line—in hauling pouch mail. Mr. Frazer shows that a careful estimate of the cost of conducting the service for the year ending June 30, 1912, was $2,474.46, while the mail revenue received was $947.67, making a net loss of $1,526.79.

In the Post Office Department report contained in Document 105 the estimated cost of the mail service on this road was given at $575.40 per annum. In no one instance where pouch mail is carried on short-line railroads have we been able to show a profit at the rate now paid.

While the increased compensation for carrying pouch mail suggested in the tentative bill we submit for your consideration does not aim to secure a profit, it will provide against a considerable loss in the performance of the mail service. The service now rendered by short-line railroads could not be duplicated in any other way at anything like the present cost. The communities served by them are justly entitled to receive their mail as expeditiously as the best methods of transportation will permit, and the railroads making the deliveries are equally entitled to a fair and reasonable rate for the service. Each has similar rights with citizens residing in congested districts where short-line independent pneumatic-tube mail routes are maintained and paid for by the Government at the rate of $17,500 per mile per year. The annual cost of this short-line mail service, covering less than 68 miles, is given at $1,140,119.85 in the Annual Report of the Second Assistant Postmaster General for the year 1913 (p. 22).

The short-line railroads have been carrying pouch mail for years at a pecuniary loss. They have also donated their car space for post-office purposes, performed messenger service on the highways, and have cooperated with the Post Office Department in every known way to contribute to its efficiency without a murmur, firmly believing, when the department became in a measure self-sustaining, Congress would recognize their claim for increased pay commensurate with the service performed. This hope still prevails in spite of the efforts made by the Post Office Department to convince Congress that it should delegate its power to the administrative branch of the Government.

Trusting your committee will give heed to our request in amending the present law as suggested, we beg to remain,

Yours, very truly,

SHORT LINE RAILROAD ASSOCIATION,
By JOHN N. DRAKE,
*Secretary and Treasurer.*

A TENTATIVE DRAFT OF A BILL TO AMEND EXISTING LAWS AND EQUALIZE PAY FOR MAIL SERVICE ON RAILROAD LINES.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That that part of the act of March third, eighteen hundred and seventy-three, as it appears in section four thousand and two of the Revised Statutes and as it has been modified by subsequent legislation, be, and the same is hereby amended to read as follows, namely:

"The Postmaster General is authorized and directed to readjust the compensation to be paid from and after July first, nineteen hundred and fourteen, for the transportation of mails on railroad routes upon the conditions and at the rates hereinafter mentioned.

"First. That the mails shall be conveyed with due frequency and speed; and that sufficient and suitable room, fixtures, and furniture in a car or apartment proprely lighted and warmed shall be provided for railway postal clerks to accompany and distribute the mails.

"Second. That the pay per mile per annum shall be at the following rates, namely: On routes carrying their whole length an average weight of mail per day of not more than two hundred pounds, fifty dollars; five hundred pounds, seventy-five dollars; one thousand pounds, eighty-five dollars and fifty cents; one thousand five hundred pounds, one hundred and six dollars and eighty-seven cents; two thousand pounds, one hundred and twenty-eight dollars and twenty-five cents; three thousand five hundred pounds, one hundred and forty-nine dollars and sixty-two cents; five thousand pounds, one hundred and seventy-one dollars; and on routes carrying their whole length an average weight of mails per day of upward of five thousand pounds by making the following changes in the rates per mile per annum for the transportation of mail on such routes in effect on June thirtieth, nineteen hundred and seven, and hereafter the rates on such routes shall be as follows: On routes carrying their whole length an

average weight of mail per day of more than five thousand pounds and less than forty-eight thousand pounds, the rate shall be five per centum less than the rates on June thirtieth, nineteen hundred and seven, on all weight carried in excess of five thousand pounds; and on routes carrying their whole length an average weight of mail per day of more than forty-eight thousand pounds the rate shall be five per centum less than the rates on June thirtieth, nineteen hundred and seven, on all weight carried in excess of five thousand pounds; and for each additional two thousand pounds in excess of forty-eight thousand pounds, the rate shall be nineteen dollars and twenty-four cents upon all roads other than land-grant roads, and upon all land-grant roads the rate shall be fifteen dollars and thirty-nine cents for each two thousand pounds carried in excess of said forty-eight thousand pounds; the average daily weight to be ascertained in every case by the actual weighing of the mails on all of the railroad mail routes at the same time for thirty-five successive days, commencing on such date, to be designated by the Postmaster General, as is fair and just to the Government and to the carriers, and not less frequently than onec in each year, and the result to be stated and verified in such form and manner as the Postmaster General may direct, and that the Postmaster General is hereby authorized and directed to require a railroad mail carrier to provide for the carriage of the mails between its trains and a post office or postal station *only* where such post office or postal station is located in a railroad depot or station of such carrier."

SEC. 2. That section four thousand and four of the Revised Statutes, as modified by the act of March second, nineteen hundred and seven, making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and fourteen, and for other purposes, be, and is hereby, amended by adding thereto the following, namely:

"*And the Postmaster General is hereby authorized and directed to allow for space used for railway post-office purposes in apartment cars at pro rata of the rate of compensation allowed for postal cars forty feet in length.*"

(New matter in italic.)

(Thereupon, at 1 o'clock p. m., the hearing adjourned until 10 o'clock a. m., Friday, February 27, 1914.[1])

[1] The hearing referred to in the text was postpone until 10 o'clock a. m , Monday, March 16, 1914.

# RAILWAY MAIL PAY.

MONDAY, MARCH 16, 1914.

JOINT COMMITTEE ON
POSTAGE ON SECOND-CLASS MAIL MATTER, ETC.,
*Washington, D. C.*

The committee met at the call of the chairman at 10 o'clock a. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Senator John W. Weeks, and Representatives James T. Lloyd and William E. Tuttle, jr.

The following gentlemen were present and were sworn by the chairman:

Representing the railway-mail pay committee:

Mr. Ralph Peters, chairman, president Long Island Railroad.

Mr. H. L. Fairfield, supervisor of mails, Illinois Central and Central of Georgia Railroads.

Mr. R. B. Coleman, chairman committee No. 2, Short Line Railroad Association of South Carolina; general manager Georgia, Florida & Alabama Railroad.

Mr. V. J. Bradley, general supervisor mail traffic, Pennsylvania Railroad.

Mr. S. C. Scott, vice president's assistant, Pennsylvania Railroad.

Mr. A. H. Rowan, assistant to vice president, New York Central Railroad.

Mr. H. E. Mack, manager mail traffic, Missouri Pacific Railway.

Mr. W. W. Safford, general mail and express agent, Seaboard Air Line Railway.

Mr. F. E. Campbell, traveling agent, transportation department, Norfolk & Western Railway.

Mr. George W. Hardin, vice president, East Tennessee & Western North Carolina Railroad.

Ex-Senator Charles J. Faulkner, counsel.

Mr. H. M. Wade, agent mail traffic, Erie Railroad.

Mr. R. H. Snead, manager express traffic, Chesapeake & Ohio Railway.

Col. W. B. Thompson, counsel.

Mr. Moultrie Hitt, secretary General Managers' Association of the Southeast, etc.

Mr. J. P. Connolly, supervisor of mail traffic, Central Railroad of New Jersey.

Mr. John N. Drake, secretary Short line Railroad Association.

Mr. James Peabody, statistician, Santa Fe system.

Mr. W. W. Baldwin, vice president, Chicago, Burlington & Quincy Railroad.

Mr. C. A. Searle, manager mail traffic, Rock Island lines.
Capt. W. B. Denham, general manager, Ocala & Northern Railroad.
Mr. L. T. Nichols, general manager, Carolina & Northwestern Railroad.
Mr. J. P. Lindsay, manager mail traffic, Santa Fe system.
Col. Samuel P. Maddox, counsel.
Mr. W. M. Blount, president, Birmingham & Southeastern Railroad.

Representing Post Office Department:
Hon. Joseph Stewart, Second Assistant Postmaster General.
Mr. C. H. McBride, superintendent division of railway adjustments.
Mr. George E. Bandel, assistant superintendent division of railway adjustments.
Mr. A. N. Prentiss, clerk.

Mr. M. O. Lorenz, statistician, Interstate Commerce Commission.

The CHAIRMAN. Gentlemen, this meeting was called for the purpose of giving the representatives of the railroad companies doing business with the Government, opportunity of expressing their comment in reference to a tentative draft of legislation relative to railroad mail service and compensation therefor, submitted by the Postmaster General in what is known as volume No. 8, under date of February 12, 1914.

Mr. Peters, will you start the hearing?

Mr. PETERS. I have prepared a short statement which I would like to read and put into the record, and it will be followed by two more statements from other members of the committee before we go into a general discussion of the subject.

The CHAIRMAN. You prefer to submit the matter in full without interruption and then take up the discussion of the details afterwards?

Mr. PETERS. Yes.

## STATEMENT OF MR. PETERS.

Mr. PETERS. We have been asked to discuss to-day volume 8 of your hearings, this containing the letter of the Postmaster General to your honorable committee of February 12, 1914, transmitting "a report and tentative draft of legislation relative to railroad mail service and compensation therefor," as submitted by the Second Assistant Postmaster General under the same date.

We thus find ourselves in a similar position to that we occupied over a year ago when we were called upon to discuss a similar "tentative draft of proposed law for regulation of railway mail pay" which had been submitted by the Post Office Department in connection with House Document No. 105, under date of August 12, 1911. That bill had been introduced in the United States Senate on July 25, 1912 (S. 7371) at the request of the Post Office Department, notwithstanding the fact that when Document No. 105 was first published in December, 1911, it was promptly assailed by the chairman

of the railroad committee as being based on incomplete data, incorrect tabulations, and fallacious assumptions; also, notwithstanding the fact that no hearings had as yet been held to determine the relative merits of the respective arguments. A similar bill had already been introduced in the House of Representatives as early as April 24, 1912, under the title H. R. 23721.

Since that time the whole subject has been analyzed and discussed at the many hearings accorded to both sides by your honorable committee, and we take advantage of this opportunity to express our acknowledgments for the fair and impartial attitude of the congressional committee toward the subject and to express the opinion that the information and data collected at these hearings are by far the clearest and most important contributions to the subject of railway mail pay that have ever been made.

In presenting the proposed bill which accompanied Document No. 105, and which reappeared in Senate bill 7371 and H. R. 23721, former Postmaster General Hitchcock indicated that the new method of fixing railway-mail pay would entirely abandon the long-existing method of fixing it in accordance with weight and would substitute therefor the measure of car space based on rates which would be ascertained according to the cost to each railway company of performing the service.

It now appears in volume 8 that the Post Office Department had also abandoned the cost method of arriving at the rates, but maintains its adherence to the car space measure of service.

Before proceeding to the consideration, first, as to the general character, and, second, as to the particular provisions of the new space bill proposed in volume 8, it may be advantageous to occupy a few minutes, with your permission, in very briefly reviewing the present situation as it appears to us.

The law of August 24, 1912, appointing the joint congressional committee prescribed that it is "to make inquiry into the subject of postage on second-class mail matter and compensation for the transportation of mail, and to report at the earliest practicable date." Therefore, so far as the question of railway-mail pay is concerned, it appears that your honorable committee is expected to make inquiry as to the compensation.

We would, therefore, seem justified in surmising that whatever range your committee gives to the scope of its recommendations in the way of remedial legislation, it is of first and paramount importance to decide the question of underpay or overpay and approximately the amount of such underpay or overpay. It might also be argued with much force that such an ascertainment and such a decision is essential before the question of constructive legislation or amendatory legislation is determined upon.

In regard to underpay or overpay, the Post Office Department has claimed overpayment and has based their claim entirely upon Document No. 105; that is, their own ascertainment of cost, reaching a result of $9,000,000 overpay for the fiscal year 1910. When they subsequently revised this estimate to include capital cost which they had originally overlooked, they reduced the amount of their claim to $1,600,000. The railroad committee in making the same calculation, but by using different ratios, which they believed to be more

correct, showed underpay in the fiscal year of 1910 of $29,000,000, instead of overpay of $1,600,000.

It has been pointed out that the Post Office Department, in addition to omitting capital cost, had treated the car space for the post office purposes on a different basis from what they had treated the car space devoted to other than mail traffic. The railroads have been perfectly willing to have the comparison made according to the gross amount of space for the passenger, mail, or express business, and they have been equally willing to have the comparison made on the basis of the net amount of space for each of these traffics, but they could not consent that the Post Office Department should compare the net amount of space required for mail service with the gross amount in the passenger and express service, when it is perfectly clear that the public pays in one way or another for all of these services.

The railroad committee has submitted a number of comparisons entirely distinct from the ascertainment in Document No. 105, which tend to confirm their claim of underpay, and none of these comparisons have been refuted or matched by the Post Office Department.

For example, it has been shown that by comparing the mail revenue of the railroads on the space basis with the revenue from similar car space in the rest of the train, there was a deficit in mail pay in 1909 of $17,000,000.

Again it has been shown that by applying to the postal revenues for 1912 the same percentage of postal revenues which were employed for railway-mail pay in 1901, there would have been a deficit in railway-mail pay in 1912 of $32,000,000.

Again it has been shown by the relative increase in freight and passenger revenues between the years 1901 and 1910 that there would have been a deficit in railway-mail pay in 1910 of from $15,000,000 to $17,000,000.

We therefore believe that in making the statement that the amount or railway-mail pay is at least $15,000,000 below what it should be, the claim is moderate. We also feel that this condition fully sustains the statement made in the letter to the chairman of your committee on October 3, 1912, which said:

> The existing law has never worked to the disadvantage of the Government, but has failed to do justice to the railways by reason of infrequent weighing; absence of pay for nearly 40 per cent of the space occupied as traveling post offices; the performance, without pay, of side and terminal messenger service; and the unjustifiable reduction in pay by the act of Congress dated March 2, 1907, supplemented by Order No. 412 of the Postmaster General changing the divisor.

We respectfully submit that if your committee decides that the railroads generally were underpaid in 1909 for mail transportation not less than $15,000,000 per annum, it would not be inappropriate to regard most carefully, and perhaps preferentially, the recommendations which the railroad committee would submit for remedying those applications of the present law and regulations which are obviously the most burdensome. The committee on railway-mail pay submitted in the letter of October 3, 1912, addressed to the chairman of your committee, a statement of a few amendments which seem to be desirable in the present law and regulations in order to correct in a measure the condition of underpayment.

We have all been working under the present law of 1873 for the past 40 years, and all concerned are more or less familiar with its

operations. That is one reason why it is deemed preferable to any untried or theoretical plan that could be proposed. Yet, if experience had demonstrated that a different plan would be desirable, it would be proper for those advocating such a plan to show a fundamental importance for it and unmistakable advantages. We believe that no alternative plan thus far proposed satisfies these primary conditions of consideration, but if there were any such plan before us it might still be held that the present time is not opportune for any final and deliberate legislative action, because since this investigation was started the Government has embarked upon an entirely new class of mail traffic, namely, the parcel post. The original law which fixed the zones, rates, and conditions, as well as the weight limits, included a clause authorizing the Postmaster General to alter these conditions subject to the concurrence of the Interstate Commerce Commission. The present Postmaster General has used this power to greatly extend the weight limits and to reduce the rates and to alter the other conditions according to his views of his duty in the premises. The Interstate Commerce Commission has indicated that its participation in the joint responsibility for such action is on such a restricted basis that it has asked to be relieved, but Congress has not taken action to that end. The Postmaster General has intimated his purpose of greatly raising the weight limit and making other modifications in the provisions of the original law.

There is already a great difference of opinion in regard to the true volume of the new parcel-post traffic, and there is no one who can estimate with any degree of accuracy the effect of future changes. Therefore, the problem of railway mail pay which was of sufficiently complicated character when your committee first undertook a study of the subject has been radically changed so far as the traffic is concerned, and the operating conditions as regards the future and as affecting both the Post Office Department and the railroads can not now be satisfactorily estimated.

Certainly any law which seeks to properly measure the service rendered, or the method of arriving at the ascertainment of pay, should fulfill certain primary conditions:

First. It should take cognizance of the relations of the future as well as of the past between the railroads and the Postal Service.

Second. It should measure the service performed by the railroads by some simple factor easily understood and meaning the same to both parties in interest.

Third. Its provisions should be obviously and manifestly just to both parties in interest, and thus protect equally the rights of the Government and the rights of the railroad carriers.

Fourth. The rates of pay should, we believe, take cognizance of the present condition of underpayment, and make provision for remedying that condition.

Fifth. Its basis, as well as its provisions, should tend toward simplicity.

Sixth. The terms and conditions under which the service is to be performed should be so explicitly defined that any causes for misunderstanding or irritation leading to lack of cooperation between the post office service and the railroad service should be eliminated, or, at least, reduced to a minimum.

Our judgment is that the plan proposed in volume 8 of the hearings, and the terms in which it is expressed, completely fail to satisfy any of these requirements.

If the tentative draft of a postal law which was submitted with Document No. 105 was conceived in a spirit of justice and fairness, it is difficult to understand how some of the autocratic provisions were made, because it is believed that this was the first time in the history of the United States Postal Service that such an extreme position was taken. References might be made to many of the paragraphs, but it may be sufficient to point out that the first paragraph provides that any railroad company that fails or refuses to submit statistical information to the Postmaster General of all of its operating expenses shall have its compensation for the service rendered forfeited to the United States and withheld as liquidated damages. The second paragraph provides for a fine of $20,000 or imprisonment for five years for any railroad employee who knowingly furnishes false information, but there is no mention of any corresponding penalty for any postal employee who might perpetrate a similar act. The third paragraph provides that the Postmaster General shall assign or apportion all of the railroad expenses between freight and passenger service, and if an appeal is made to the Interstate Commerce Commission he need only submit such papers as in his judgment may be essential to an understanding of the method. The action of the Interstate Commerce Commission was made final without any intimation that any voluntary recourse to the courts would be permitted. The proposed law in Document No. 105 continues in this spirit, and concludes with a new requirement that any railroad company refusing to carry the mails at the rates of compensation provided by law, when and for the period required by the Postmaster General so to do, shall be fined for every such offense not exceeding $5,000.

We respectfully submit that the same spirit permeates the new proposed law published in volume 8, the concluding paragraphs of which propose to give practically unlimited power to the Post Office Department to change all of the conditions regardless of the specifications in the earlier paragraphs, in addition to which it concludes with a penalty of $5,000 for every failure of a railroad company to carry the mails.

Where is the justification for according such arbitrary power to any department of the executive branch of the Government, even if the existing conditions were such as to create a tendency toward a legislative inclination in that direction, because it might be deemed temporarily advantageous, although not permanently advisable in the best interests of the Republic? Where are the conditions that even suggest the temptation? The railroads are all carrying the mails in such a manner as to give the United States Postal Service the highest reputation for expedition and ample facilities and yet at a rate of pay which has been demonstrated to be far below the amount which should be justly allowed for the service. The attitude expressed in recent years by some officers of the department, that the only way in which a railroad could make its protest effective would be by refusing to carry the mails, has probably created an atmosphere in which imaginary dangers exist. It is most earnestly suggested that those occupying public office, as well as those operating

public utilities, should feel equally as trustees of the public good that it is their first duty to secure enthusiastic cooperation in the joint performance of a public service by making sure that their relations with each other and that the rates of compensation and the conditions of the service shall rest upon such an unmistakably just and fair basis that there will be no reason and, in fact, no excuse for any deficiency.

We are willing, if your committee desires it, to discuss the detailed provisions of this proposed law. We believe, however, that in its entirety it is no more deserving of serious consideration than was the tentative draft of the law submitted in connection with document No. 105, as many of the provisions of that proposal are included in the new proposal.

We also believe that your honorable committee should take cognizance of the fact that this new plan is proposed on a basis of rates which are apparently calculated to reduce railway mail pay $2,000,000 and upward, in comparison with the present amount, and while it might be said in response to this suggestion that the rates could be made higher by Congress, the uncertainty which attaches to the interpretation of the measurement by space and of the other details of the service would make the total amount indeterminate. We are therefore obliged to estimate the department's purpose by the rates that are specifically named in volume 8.

In concluding these general remarks we ask that it be remembered that while this matter may appear to be a question between the Post Office Department on the one hand and the railroad companies of the United States on the other, it is really a subject of great consequence to the whole people.

When we survey the field of those who are financially concerned in this matter, either as employees of the railroad companies or employees of industrial establishments depending upon railroad business, or as stockholders or bondholders of railroad securities, or as depositors in savings banks, or policyholders of life insurance companies, or as members of fraternal insurance organizations whose investments are largely in railroad securities, we are convinced that a great majority of the American people are now interested or will become interested in the proper settlement of this important question.

I submit this statement as a general opening of the discussion, and would ask that you call Mr. Baldwin, who is chairman of the subcommittee appointed from the Chicago lines, to open the discussion of the bill.

The CHAIRMAN. We will be glad to hear from Mr. Baldwin.

## STATEMENT OF MR. BALDWIN.

Mr. BALDWIN. At a meeting of the representatives of the road held after the last session it was suggested that a committee representing the western railroads take up this separate consideration of this matter, and that committee has asked me to present some general observations by way of introduction and has asked Mr. Mack to present some specific comments on the details of the bill, after which, of course, we will take it up section by section, if you so desire.

The members of the mail pay committee representing the railroads are of opinion that the evidence submitted to the commission shows

that the companies carrying the mails of the country are underpaid at this time, for the service they perform for the Government in that behalf, at least $15,000,000 annually. Any bill in the framing of which they participate and cooperate should, they respectfully suggest, have for at least one of its purposes the correction of this condition. The bill that is embodied in volume 8 of your hearings, instead of such a purpose, is designed, as we have been advised, to still further reduce the already inadequate pay of the railroad companies from two to six million dollars a year, based upon a continuance of the present service.

Senator WEEKS. You do not mean to say designed for that purpose?

Mr. BALDWIN. I did not say that. I said, if it existed. Let me read the next sentence.

Not having sympathy with this purpose of the bill if it exists such comments as we make should not be regarded as primarily made with a view of perfecting it, because from our point of view the principle upon which it is based is not workable.

Senator WEEKS. It struck me, as you read that, that it was an unfortunate expression. The Post Office officials ought not to rest under the charge that they are designedly doing something to reduce pay, but their judgment does reduce the pay.

Mr. BALDWIN. I understand that, but they also believe, or have expressed the opinion, that the pay is higher than it ought to be, and have also said that the effect of this bill—I have understood that some of the officials of the department have claimed—would be to reduce the mail pay about $6,000,000 a year. We can not very well sypathize with that.

Senator WEEKS. I am not criticizing your sympathy or your lack of sympathy with it, but simply the suggestion that the bill was designed for that purpose. That is what I am criticizing.

Mr. BALDWIN. I did not mean to assert that.

There are certain general considerations that we desire to call to your attention before referring to the separate sections.

We assume that the service which the railways are now performing for the Government in the transportation of the mails is in the main satisfactory and that it is the desire of the commission not to destroy nor to seriously impair this service.

The question which led to the appointment of your commission did not relate to the quality of the service which the railroads are furnishing, but were substantially confined to the question of adequate compensation for that service.

Before the railroad companies can be asked or expected to agree to continue the service in its present form they should, it seems to us, have some assurance regarding the definiteness and certainty of the rules under which they are to be compensated, if new rules are to be adopted. The plan embodied in volume 8 does not according to our view embrace such definite and certain rules, but introduces elements of indefiniteness and uncertainty that have not heretofore existed in the law. No one familiar with the wide differences of opinion that have developed at these hearings with apparent good faith on both sides, regarding space authorized, or space necessary, or space used, in November, 1909, and the question of "dead space," "deadhead space," and other features can fail to appreciate

the possibilities in future disputes and controversy that are sure to arise.

But the proposed bill would confide in the officials of the Post Office unlimited discretion over every feature of the subject, not only by the use of the phrase "not exceeding," but in different terms, and by fines or by the exercise of such discretion as to make the compensation adequate or inadequate, almost at will. The phrase "not exceeding" in previous enactments had to be applied to definite rates per pound, leaving little room for dispute.

Practically every controversy the railroads have had with the department has arisen over "half lines" and other questions growing out of what would seem to be the simplest form of the space question—the payment per mile-run for the use of cars of a specified length. But questions of space "authorized" and space "necessary" and space "used," which inspectors of the department have been able to raise have proved vexatious and have been frequent. Under a system basing everything on space, with a maximum rate schedule, and the entire authorization and use governed solely by the unlimited discretion of inspectors anxious to make a record, and of their superiors slow to disregard recommendations that may produce possible economies, it is plain that no railway can know with definiteness or certainty what its compensation is to be. This uncertainty may have an important bearing upon the continuation of the expedited or special mail trains which have been denominated the "heart" of the Railway Mail Service. This service has been highly developed and made possible, because it was made compensatory by concentrating weights of mail upon the lines which have the facilities for providing the service. With the termination of the weight system you terminate the present motive and reason for the railroads to operate fast mail trains, and no method for reviving such a service has to our knowledge been suggested except subsidy, the appropriation for which in 1883, before compensatory weights existed, reached as high as $600,000 a year, and at this time must apparently be much greater. There are now many special fast mail trains where one existed in 1883.

The bill in volume 8 was framed to embody the idea of a "preferential rate." This means, as the author says, a rate based upon a consideration of what the railroads owe, first, to the Government of the United States; secondly, what they owe the people; and, thirdly, what they owe the country at large for the privilege of existence, etc., and presents a wide field for contemplation. It necessarily leaves to those who may have the power of decision the right to give such weight to these very indefinite elements as they may think they deserve. To this is now to be added the condition that the Government, through orders issued at the discretion of the Post Office Department, is rapidly extending the transportation package freight by mail in competition with the railroads. That is to say, this bill is framed to enforce upon the railroads by law a preferential rate upon indefinite premises in competition with the roads themselves, and to be based upon authorized space that is to be measured by department officials, the rate to be only a maximum rate and the decision of all questions arising to rest solely in the discretion of the same officials.

It is an anomaly in legislation appropriating private property.

The CHAIRMAN. With no parallel whatever?

Mr. BALDWIN. I think not, sir; in its indefiniteness and possibilities.

Railroad corporations are common carriers, but their roads and steamboats and other facilities for conducting the business are private property which the Post Office Department could thus appropriate without compensation through the process described.

It has been suggested that Mr. Mack has the committee's memorandum as to the details, which I think you will find, to some extent at least, tends to corroborate this.

The CHAIRMAN. Would you like to put that in now?

Mr. BALDWIN. Yes; if you please. We will have them set out in their order.

Mr. MACK. I would like to have it printed as a complete argument, so that the interruptions will not break the thread of it in the print of hearings.

The CHAIRMAN. I will say that thus far there have been no interruptions until the witness completed his statement. We can continue that and any point the committee may have in mind can be taken up for discussion later.

## STATEMENT OF MR. MACK.

Mr. MACK. The latest method proposed by the Post Office Department for the adjustment of railway-mail pay, and submitted on February 12, 1914, for the consideration of the joint committee of Congress, may be considered coercive and unjust to the railroads, if it is necessary that the sovereign power of the Government be exerted through a requirement of compulsory service, with compulsory acceptance of rates wholly in the discretion of the Postmaster General, as maximum and not fixed rates are stated and compulsory compliance with every condition the Post Office Department may in its discretion impose under a penalty of $5,000 fine for each offense of refusal to carry the mail under the proposed law.

Mistaken inference might be drawn from this provision that the railroads have refused to carry the United States mail, but although they are under provocation of unjust treatment, particularly with reference to the failure of the Government to provide proper compensation for the transportation of parcel post, they have responded to obvious public necessity and carried the mails, confident in ultimate fair adjustment, as the United States Government can not afford to do otherwise.

As the maximum rates provided in the bill are concededly by implication not compensatory rates, the proposed law is fundamentally unsound, and as noncompensatory rates would be alternatively confiscatory rates, the suggested law instead of proving a solution of the question would be merely an initiative in throwing all the railroads of the country into the courts with years of litigation, a most unfortunate outcome of the six years of continuous protest by the railroads against the unjust reductions made in 1907 and the work and expense of investigation by the railroads themselves, by the Post Office Department, and by the joint commission.

The railroads now have twenty-five million or more dollars involved in litigation on the mail-pay question, resulting from an ex-

ecutive order of the Post Office Department, issued in 1907, effecting a change in existing law, and hope any legislation that may arise in future will be free of legal complications.

Any rates fixed upon a noncompensatory basis, upon a theory that the Government has rights to less rates for mail, would put Congress in the attitude of fixing discriminatory rates as representing the people as a whole against the individual citizens who travel as passengers or ship by freight or express, for it is certain that the burden of meeting any deficiency would fall upon them as a matter of course.

As discriminatory rates are so generally condemned, the Government might fairly set an example of fixing full and adequate pay for every service required, as well of corporations as necessarily of citizens.

*The effect of a noncompensatory rate for mail would mainly be to enable the Post Office Department to make an economical showing for transportation.*

The opinion may be stated that anything less than full compensatory rates to be legal must be founded upon express valuable consideration in some form, such as franchise privileges, etc., but special pleading on the ground of Government protection to railway property or a theory of incidental interest or benefit to other traffic would not be valid. Railroad property is fully entitled to complete protection by reason of its participation in direct and indirect taxation as other property.

The rates named in the plan are designated as maximum rates and *are not fixed rates*, and as to each and all of them complete discretionary power is conferred upon the Postmaster General to fix any other rate he may choose, with no alternative to the railroads but recourse to the courts, and as to all of these rates, even if they were fixed rates, they would be nullified and rendered inoperative by paragraphs 36, 37, and 38.

The entire bill therefore as to rates and conditions of service enlarges to the last degree the discretionary power of the Postmaster General, and as to the three paragraphs of the bill just described, it conveys to him also the power to discriminate between the classes of mail matter in the service rendered the public.

The proposed method instead of settling the mail-pay question for a long period of years, aside from the certainty of litigation to result, would be largely an embarkment upon the field of experiment, for it can not be doubted that it would revolutionize the service in some respects.

Instead of being in the direction of simplification of method, it would be the most complicated of all plans that have been proposed.

Certain it is that the plan would make a great many rearrangements and readjustments, as shown by the application of it by the department to a list of routes submitted informally at the last hearing, but it is speculative as to whether any of these readjustments would promote efficiency of service. It is impossible to learn their full extent, as the effect of the plan can not be definitely known upon all routes until put into actual practice. But obviously, so far as the railroads themselves are concerned, aside from the inadequacy of pay of all the rates proposed, the readjustments would create a great deal of dissatisfaction, and there is certainly enough now.

NO PRESUMPTION IN FAVOR OF THE PROPOSED PLAN.

There is no presumptive weight of evidence in favor of this new plan because it originates with the Post Office Department, either upon the theory that it would be sound in principle or fair either as to rates or conditions, for the essential reason that the department is in the position of a shipper, and proposes through this bill, as its terms show, to secure complete discretionary and therefore arbitrary power over the rates which will be paid for mail transportation and the conditions of service that it may demand, and the department is therefore not in an impartial or judicial attitude in laying this plan before the joint commission.

There are facts which it is necessary for your commission to reflect upon concerning the attitude of the Post Office Department in reference to proposed mail-pay legislation in considering any new plan.

In submitting, on July 25, 1911, the plan described and recommended in Document 105, it was confidently presented as "one which will be scientific and businesslike." (Doc. 105, p. 19.)

The new plan, which is fundamentally different both as to basic methods and rates, is now represented as a "scientific plan of dealing with the subject." (Vol. 8, p. 1056.)

The plan recommended in Document 105 was the "one-unit" plan (Doc. 105, p. 15), being an exclusive-space plan.

The new plan is a weight-and-space plan with many complications, as will hereafter be explained, although in Document 105, page 15, the existing method, which is a simplified weight-and-space plan, is criticized as "unscientifie in plan" because of the "two different methods of pay."

The plan described in Document 105 was upon an alleged cost basis with 6 per cent profit on such operating cost. As the cost was to be determined by the Postmaster General, it involved the necessity of his determining the cost of all classes of transportation before he could attempt any ascertainment on any basis of the subcost for mail service.

Later the department proposed that the cost be ascertained by the Interstate Commerce Commission. Now the department proposes rates fixed in its own discretion, without any governing basis except the inadequate maximum limitation.

As to the rate of profit which the department originally proposed as 6 per cent, it must be remembered that it was to be applied to the operating costs, *obviously upon the wrong thing*, for as a simple elemental principle profit is based upon capital invested instead of the cost of doing business.

When this was pointed out the department afterwards changed position, and in conceding that profit should be upon capital, was not willing to support the principle of profit at 6 per cent, which it had originally proposed, but proposes a less rate of earning for mail, a subject which has otherwise been dealt with separately.

The department proposed originally to eliminate mail weighing entirely (Doc. 105, p. 15) and now recommends that there should be a weighing, but upon a more complicated system, as will hereafter be explained.

An annual weighing under existing law was stated by the department on January 16, 1914, to have no merit (vol. 7, p. 1018), but on February 12, 1914, the department recommended an annual weighing as applicable to the weights of mail to be paid for on the weight basis. (Vol. 8.)

On January 16, 1914, the department stated that there is no merit in the contention that the railroads are underpaid as to apartment-car service, yet in Document 105 it was stated that "no additional compensation is allowed for space for distribution purposes occupying less than 40 feet of the car length. This distinction is a purely arbitrary one and without any logical reason for its existence."

It is but fair to state upon the foregoing premises as to uncertainty and changing view in the department, that the weight of evidence is against rather than in favor of the plan now proposed by the department.

FUNDAMENTAL ERROR.

The serious defect with the new plan proposed by the department on February 12, 1914, is that which has been continuously pointed out at length throughout the hearings before the joint committee, that space as a main factor to fix mail pay would be fundamentally wrong, because the volume of mail does not automatically determine the space required in its transportation, but instead is one wholly of opinion and judgment at the very best, and it is human judgment and opinion under a space plan which would determine the measure of pay to the railroads on every mail route and be the factor determining the disbursement of $50,000,000 or $60,000,000 annually.

The objection would seem to be greater from the standpoint of Congress as unsound and impolitic, but is objected to by the railroads because relationship with the Post Office Department would be unsatisfactory upon that basis, and they ask a *definite* basis for the transportation service rendered, upon weight *with the object of transportation itself fixing and determining the exact volume of transportation service rendered* and which is free of any element of opinion or judgment in the transaction.

It is more essential to-day even than heretofore, because the new plan of handling mail through what are termed "Terminal R. P. O.'s" throws a greater bulk of mail into the strictly transportation channels of baggage-car service than under the former plan.

The existing method upon this sure foundation is as thoroughly important to the Government as to the railroads, as to 90 per cent of the mail pay, leaving but 10 per cent now determinable upon opinion or judgment of postal officers, which is for space for post-office work, very properly in the discretion of the department, as this feature of the service is based upon the extent of letter and paper distribution which the Post Office Department desires to carry on upon the railway trains.

The space plan would be productive of perpetual controversy between the railroads and the administrative officers of the service, not only in Washington but in the local sections throughout the country where chief clerks of Railway Mail Service have supervision; and

how serious this would be may be estimated by your committee from its observation throughout the hearings of the difference in opinion concerning in the neighborhood of 21.28 per cent of space reported by the railroads and eliminated by the Post Office Department in its calculations in Document 105.

There is nothing original or new in the proposition to make space a main factor, because it has been proposed by previous commissions and as often rejected, and the presumption is very strongly against it for the solid fundamental objections briefly alluded to throughout the hearings and in condensed form in volume 1, pages 301 to 314, and volume 4, pages 624 to 627.

### COMPLICATIONS OF PLAN.

Obviously any plan of mail pay should fit the character of service performed, which has been pointed out frequently and specifically, is of two important features: First, the transportation of the mail itself; and second, the feature which is not a transportation facility, namely, that of post-office distribution in mail cars. The existing plan recognizes these two distinct services in a comparatively simple way; that is, weight for the transportation service and space for the postal-distributing facilities.

The new plan of the department now recognizes these two essentials, but substitutes a 5-unit plan instead of a 1-unit plan, as originally proposed. It is more complicated as to the weight feature, as now the mails are simply weighted to the route and the daily average thereof ascertained; but the new plan maintains this method as to 37 per cent of routes, and as to all others requires separate weighing of all trains which do not have full R. P. O. or apartment mail cars; and then, as to trains having such cars, it is necessary that the weight be taken of the mail placed in each car for determining the proposed loading rate, as to all classes of full R. P. O. apartment cars and storage cars, and as to baggage-car overflow mail on such trains.

This would be exceedingly complicated and difficult at large stations like St. Louis, Chicago, Kansas City, Omaha, and other intermediate points where the mails for *each car* would have to be transferred and trucked separately, whereas now to a considerable extent truck loads contain mail for several different cars.

There is further complication in the fact that if mails are carried in the baggage car of a train with full R. P. O. or mail apartment cars, the pay would be on a *space* basis, without any fixed method of determining the amount of space to be paid for; whereas, on a mail-car route if the mail were carried in a baggage care upon a train without full R. P. O. or mail-apartment cars, the pay would be on a weight basis. If mail which ordinarily was transported in an authorized mail or storage car and paid for on a space basis, missed connection and was shipped on a following train without mail cars there would be no compensation for it, except as based upon such misconnections and irregular dispatch if it occurred during the weighing period.

It would be possible for the mail to be confined or limited during the weighing period to trains paid for upon a space basis and thereafter to be carried upon trains for which the railroads are paid upon weight, but without the weight being included in the adjustment. A

plan of this kind ought not to be possible, and is not when all transportation service is upon the weight basis.

While nominally the new proposed plan is designated as of five units, it is a fact that a single route could have, and some would have, a complicated system of 64 different factors of pay, illustrated as follows:

| | |
|---|---|
| Full R. P. O. car | 4 kinds at different mileage rate each car. |
| Storage cars | 4 kinds at different mileage rate each car. |
| Apartment cars | 5 kinds at different mileage rate each car. |
| Baggage car (weight) | 1 |
| Baggage car (space) pay | 1 |
| | 15 mileage rates. |
| Full R. P. O. cars | 4 initial, terminal, loading, and unloading rates each. Car—16 rates. |
| Storage cars | 4 initial, terminal, loading, and unloading rates each. Car—16 rates. |
| Apartment cars | 4 initial, terminal, loading, and unloading rates each. Car—20 rates. |
| Terminal rates | 52 |
| Mileage rates | 15 |
| Terminal rates | 52 |
| Total | 67 |

The present plan with graduated rates would apply to 1,293 routes, or 37 per cent, representing 35,874,714 annual miles of service (1913). Baggage-car mail rates on the remaining 63 per cent of routes would be on a straight tonnage rate, representing 117,396,569 annual miles of service. The full R. P. O. car rate would apply to 86,613,684 annual miles of service, and the apartment-car rates to 231,656,122 annual miles of service; but there are no figures in the department's reports showing how many annual miles of service there would be representing the storage car or the overflow baggage-car service on a space basis upon routes having the full R. P. O. and the apartment-car service.

DISCUSSION OF RATES.

In addition to what has been said previously with reference to the noncompensatory character of rates as a whole in the proposed plan, further specific criticism as to their inadequacy should be made.

The rate for a 30-foot apartment would be 9 or 9½ cents per car-mile; for a 15-foot apartment, 4½ cents per car-mile; for a 10-foot apartment, 3 cents per car-mile.

As to 30-foot cars, it is a fact that in many instances throughout the country the furnishing of 30-foot distributing facilities requires the hauling of an entire car; in such cases the proposed rates are ridiculously low, and as to the cars of smaller units, it is only necessary to point out that one or two passengers occupying a single seat in a coach would pay as much or more fare than the department proposes to pay for a private apartment occupied by a mail clerk who would use 10 or 15 feet in a car, which would be equipped with private-car facilities.

To further illustrate that a theory of lower rates for apartment cars than for full R. P. O. cars would be inadequate, it may be pointed out that four cars of 15-foot apartments or six cars of 10-foot apartments would have to be furnished and operated with four or six units of

service as to all details of such operation, with station handling, switching charges, and cleaning; ice would have to be furnished them and placed in four to six cars instead of one; hoppers would have to be furnished and cleaned in four to six cars instead of one; the switching of four to six cars would have to be done; and four to six cars would have to be set for advance work; all in comparison with one unit of a 60-foot car, as the proposed plan does not fix specific rates for each specific car, but provides proper earnings based upon a 60-foot-car rate.

*Initial and terminal rates.*—Initial and terminal rates are proposed on a prorated basis of a 60-foot car, which for a 70-foot car, if the maximum were paid, would be $1.68; for a 40-foot car, 96 cents; a 30-foot apartment, 70 cents; a 10-foot apartment, 23 cents; and as to storage cars, a 70-foot car, if paid for at the maximum rate, would be $1.51, and for a 40-foot car, 84 cents; while as to heating, lighting, and cleaning there would be some difference in the relative cost, according to the length of the car, yet as to other terminal charges, such as inspection, switching, etc., the car unit of service and movement would be the same for one car as for another regardless of length and this would be true as to the space occupied by the cars in stations for advance distribution.

In the proposed plan maximum rates, not fixed rates, are stated for this service, and it is explained that they are in the discretion of the department, and the determining factors in rate as to each of the different kinds of cars " shall be varied in accordance with the approximate difference in their respective cost of construction and maintenance."

Certainly as to none of these factors of initial or terminal charges has the cost of construction anything whatever to do with the use of the cars.

*Loading rates.*—The loading rate of not to exceed 12 cents per ton is also grossly inadequate. It is ascertained that at St. Louis, where the mail is handled in truck loads to a great extent on account of volume, the actual cost of specially employed porters is 31 cents per ton; and at Kansas City, where there are lighter volumes for the transfers as compared to truck volumes, the actual cost is 47 cents per ton.

Senator WEEKS. In your judgment would that represent a fair average of cost in cities of that class?

Mr. MACK. Why, it is impossible to say. It is a factor that will vary greatly in accordance with the volume of the mail. For instance, you see that between St. Louis and Kansas City. At St. Louis there are truck loads and at Kansas City there are some truck loads and some small volumes of transfer, but it takes a man just as long to go from one point to another in the depot with two or three parcels as it would to take an entire truck load of mail, so that the cost would vary, and at the heavier stations it seems likely that we are quoting low costs rather than high costs.

Mr. BALDWIN. Mr. Peabody has some figures illuminating the cost figures applying to less than carload lots.

Mr. MACK. I have no doubt that these would be comparatively low figures.

Senator WEEKS. Figures are not very useful unless they are compared with the average, and you have not any reason to feel that these are not clear averages in cities of that class.

Mr. MACK. I should say they were low, rather than high. We had a figure ascertained at Chicago which was considerably in excess of this, but we did not desire to use it because it had not been fully verified, but that rate was 77 cents. Is that correct, Mr. Scott?

Mr. SCOTT. That depends altogether on the volume of mail. I would rather that would not go in the record.

Mr. MACK. I only mention that to show we have not selected places with an object of showing high cost.

Mr. BRADLEY. I have figures which I have not had opportunity to verify, yet which show that at the Pennsylvania Station in New York, the average cost is 40 cents per ton for handling, and I think Mr. Wade has some figures for Jersey City.

Mr. WADE. Eighty cents.

Mr. MACK. There you will find a difference between the extreme heavy loading and a comparatively light loading as between the Pennsylvania at New York and the Erie at Jersey City.

Under the proposed plan, all the larger railroad systems would be compelled to build new and keep in supply, four classes of full R. P. O. cars, as compared with one standard as a rule to-day, and four classes of storage cars, as compared with one to-day, for cars under 60 feet in length now in the service are few in number, and are largely those constructed in the past, or which were built to some extent, for demonstration purposes.

It would be unreasonable to adopt a plan that would compel large railroad systems to buy large numbers of additional cars of different classes now, and yet they could not afford to run cars of greater length than the department was willing to pay for where the entire pay was dependent upon space, as there would be interminable controversy as to whether more than 40 feet were actually used in cars of greater length of run.

Now, where full R. P. O. pay is supplemental, and where the railroads furnish cars of 60 feet, and are paid for possibly 40 or 50, or 40 one way and 60 the other, of course it is not so material; but it would be a much more serious matter if standard cars of 60-foot length were used, with discretionary power to pay for 40 or 50 foot cars, if the entire mail pay were affected. So that the result of the situation would be that the railroads would have to carry a stock of 40 and 50 foot postal cars and storage cars, which they do not now do.

### LAND-GRANT ROUTES.

The proposed plan would extend the reduction of pay upon a greater volume of mail earnings than at present, for now the 20 per cent reduction applies only to transportation pay and not to full R. P. O. car pay. It would doubtless develop upon investigation that the time has arrived when land-grant routes, particularly those furnishing fast-mail service, should not suffer any reduction at all in their mail pay.

### ROOMS AT STATIONS.

The plan proposed by the Postmaster General to give him power to require such space as he might choose without limitation or restraint

for rooms at stations for mail work, without compensation, would be entirely inconsistent and out of place with a plan to pay for transportation of mail upon a space or mixed basis as proposed, as it could be developed to any extent without compensation to the company, and could be utilized to such an extent as to actually deprive railroads of their main sourue of revenue for transportation and distribution space on the trains.

FAST-MAIL SERVICE.

The proposed plan with these rates would undoubtedly endanger the continuance of the fast-mail service, which is of inestimable value in special and expedited schedule to the important first-class main revenue-producing mail. One clear illustration would be that of the fast mail from St. Louis to Texas.

The rates provided for this special service of 664 train miles daily would only produce for two 60-foot postal cars 40 cents; for baggage cars, 27 cents; total, 67 cents per train-mile. These figures show conclusively that such pay would not be adequate to maintain the service.

Senator WEEKS. Why do they show conclusively?

Mr. MACK. The rate of 67 cents? We could not run a train for 67 cents a mile.

Mr. BALDWIN. The average cost of running all trains is $1.64.

Mr. MACK. Some things are self-evident to us that may not be self-evident to you gentlemen. As Mr. Baldwin states, it costs us much more than 67 cents.

Mr. STEWART. How much a mile do you get now for that train?

Mr. MACK. We get now about $1.15 or $1.20.

Dr. LORENZ. How many cars are in the train?

Mr. MACK. Four mail cars. The fact is, even now we had to put on a sleeping car in order to try to maintain the train.

TRANSPORTATION OF POSTAL OFFICERS AND EMPLOYEES.

There has never been a good reason for free transportation of postal officers engaged in the inspection of the post offices, star and rural routes of the country, or for their general transportation, except, perhaps, as to the direct force supervisory over the Railway Mail Service itself, or even for the transportation of postal employees, except when actually in postal cars engaged in work; but whatever vestige of reason exists now, would disappear entirely upon any space plan.

ADMINISTRATION.

In administration the plan proposed would permit the cutting off of distributing cars between weighing periods with material reduction in expense to the Post Office Department, and throw mail into the baggage cars without any compensation to the railroads until the new weighing period.

CLOSING.

While investigation of railway-mail pay very naturally and properly includes consideration of new methods proposed from any source,

it does not at all follow that a solution of the question involves a new plan, which would be experimental at best, and it is very clear in our opinion, irrespective entirely of the question of rates or total compensation, that no plan has as yet been considered that fits the service as well as the present general plan with imperfections easily remedied without overturning conditions to which the service has become adapted from its foundation.

No plan, in our judgment, would do justice to the railroads unless predicated upon increasing pay of at least $15,000,000 per annum, so that the gross earnings from this service, to be adequate and compensatory, would equal the other earnings on passenger trains.

In connection with this, I would like to say that I attempted to figure the revenue that would be derived by some of our companies from the new rates. On the Denver & Rio Grande Railroad, with an entire apartment-car service, it would reduce the compensation $124,021 per annum; cutting it down from $303,128 to $179,107. That may give you a fair indication of the effect the plan would have on short lines, because the Denver & Rio Grande service is entirely apartment-car service.

Senator WEEKS. Where does that run from? And to where?

Mr. MACK. It takes in all the local service in Colorado and part of Utah. It is entirely a mountainous road and runs from Denver to Ogden. Practically all of the interior service in Colorado is on the Denver & Rio Grande, and much of it on narrow-gauge roads.

Mr. BALDWIN. You say that is all apartment-car service?

Mr. MACK. There are no full cars on that line. It is entirely apartment-car service.

The CHAIRMAN. The compensation is based on maximum payments under the suggested plan?

Mr. MACK. Yes, sir; on the space that now exist, that is, that which is now in use, or supposed to be needed, by the department, as shown by their division schedules of railway-mail service. With regard to this apartment-car service, the effect of a plan of this kind, by strict administration and by the application of strict methods of economy in the department, would be to impair efficiency. For instance, we would find where there are two trains a day each way over a railroad; upon a basis of this kind the Post Office Department would be enabled to cut the cost of transportation on a line in half, and there would be very strong temptation to do it with the resulting impairment of the facilities to the public. The apartment-car service and the distribution service to-day on sparsely settled lines throughout the country is based upon the fact that there is no specific pay for apartment cars. With supplemental pay for apartment cars no such tendency as that would exist. It might have a restraining influence on the extension or reduction of service, but very naturally there would be a strong disposition to economize and withdraw facilities when so much could be saved.

Senator WEEKS. Do you think that would be a very practical proposition? Withdrawing facilities immediately affects someone, and someone is going to make complaint to the department, and the department can not afford to withdraw facilities in any way that will affect the service materially.

Mr. MACK. But the department does not necessarily establish facilities or withdraw facilities simply because there is complaint?

Senator WEEKS. But when the department wants to establish facilities, then it gives a lot of people vested rights, or they think they are, and to change this by a reduction immediately brings complaint. Therefore, as a practical proposition, do you think that wherever there has been a facility in operation that there is likely to be a material reduction for that very reason?

Mr. MACK. Of course, we are going into the field of opinion. I should say yes.

Senator WEEKS. If you had been a Representative in Congress you would probably have said no.

Mr. MACK. I think the reply would be—in many such cases, not all of them—*that the cost of the service was out of proportion to the benefits derived.* With regard to the service between St. Louis and Kansas City—which was referred to at the informal meeting—on the Missouri Pacific, we find that there would be a reduction of about $22,109.

The CHAIRMAN. That is just on that route?

Mr. MACK. Yes.

The CHAIRMAN. Not on the whole Missouri Pacific line?

Mr. MACK. No; just that route. There may be some imperfections here, but we have allowed for all possible space. Between St. Louis and Texarkana, 493 miles to Texas, as nearly as we can figure, there would be a reduction of about $146,233 per annum.

Senator WEEKS. Is that the entire service between those points on one train?

Mr. MACK. That is the entire service between those points on all trains. That is a land-grant route, with 493 miles of railroad to Texas.

Senator WEEKS. Do you think those are fair inferences of what would happen?

Mr. MACK. We have taken our heavy routes and we have taken our apartment-car lines on the Denver & Rio Grande, and I do not see how it would be possible for anything except very great reductions to follow a plan of this kind.

Senator WEEKS. How did you happen to select these particular roads?

Mr. MACK. I selected the Missouri Pacific because Mr. Lloyd picked it out at the informal meeting, and I selected the Rio Grande myself, because it was an entirely apartment-car service.

Mr. LLOYD. I suggested the Missouri Pacific, because it was the heaviest road in Missouri, and the one with which Mr. Mack was most familiar.

Mr. MACK. When I found the reduction on the Missouri Pacific would be $23,000 I wanted to see myself then what the effect would be on the Iron Mountain, which is our heavy route to Texas, and I discovered this. Of course I did not know what it was going to be when I started figuring.

Senator WEEKS. Did you try any figures on any other routes than these?

Mr. MACK. No, sir; I did not; simply for lack of time.

Mr. LLOYD. Do you want this to go into the record?

Mr. MACK. I have no objection to it going into the record.

Senator WEEKS. How are we going to know that these are fair examples for that kind of service?

Mr. MACK. They represent all of our heavier service between St. Louis and Kansas City and St. Louis and Texarkana.

Senator WEEKS. Do you think the proportional reduction in the light service will be greater?

Mr. MACK. No; there would be a fluctuation in the apartment-car service depending on the amount of weight as compared with the volume of apartment-car service to the line. For instance, where there were several apartment cars, but light weight, the new plan would show an increase, but where there is considerable weight in the car it would show a decrease under the new plan. That would be the tendency. I think there is no question about that.

Mr. LLOYD. Did you not find this, also, that the rates on the shorter lines, or on the lines on which there is not so much business, would be affected by the frequency of transit of the mails each day?

Mr. MACK. As I say, that would depend in comparison with the weight of mail that is now the basis which you are comparing with. If the route had two 15-foot apartments, with a tonnage of 500 or 600 pounds in the way of distributing facilities, this plan would probably produce an increase, and if it had 1,000 or 1,500 pounds it would probably produce a decrease. I think that would be the way a comparison of that kind would work out.

Mr. LLOYD. I made a comparison on two roads in my section, one on which there was one mail each way a day and one on which there were two mails each way a day, and I found on investigation that where they had two mails each way a day the probabilities were that there would be an increase of pay, and where there was only one mail each way each day there would be a decrease.

Mr. MACK. It would work almost certainly in that case, provided the weights were light and I have no doubt the weight was light. Sometimes frequency of service and the amount of apartment cars would be the same on a route with 500 or 600 pounds as a route with 1,500. So that the new plan as applied would, perhaps, decrease the rate with the heavier weight and increase the rate compared to the lighter weights.

Mr. LLOYD. Have you something more in detail on these matters?

Mr. MACK. No, sir; that is all, I think.

Mr. LLOYD. Is that a full statement of your case?

Mr. PETERS. Yes.

Mr. LLOYD. Have you anyone you desire to make an oral statement?

The CHAIRMAN. I would like to ask Gen. Stewart with reference to the concrete illustrations mentioned by Mr. Mack of 64 different rates being possible on a single route, if the proposed or suggested plan of the department should be enacted into law? What have you to say in reference to that? Have you any criticism to make as to the correctness of his statement?

Mr. STEWART. My impression is that Mr. Mack has greatly exaggerated the possibilities of fluctuation in service and multiplicity of rates on a particular route. I should like to analyze the statement, and prepare and read to you for the record our specific reply thereto. Apparently he has taken the possibility of running every sized car on the route, necessitating the adjustment of a loading charge and a constant terminal charge for each sized car.

The CHAIRMAN. Would you, in this connection, just discuss that particular phase with Mr. Mack here, so that we will have the benefit of an interchange of ideas on the concrete illustration such as he has mentioned?

Mr. STEWART. Yes, sir. I will ask the privilege of taking his concrete statement and making a statement in reply.

Mr. LLOYD. Have you any questions you might ask him on anything he has stated in his paper?

Mr. STEWART. I hardly think it essential to take up the time of the commission now in going into it.

Senator WEEKS. You say Mr. Mack has exaggerated the possibilities. Do you mean probabilities?

Mr. STEWART. Yes; probabilities.

Senator WEEKS. You do not mean possibilities?

Mr. STEWART. Yes.

Senator WEEKS. Do you mean to say it would not be possible to have this result under any condition?

Mr. STEWART. I do not know of any conditions which render it probable.

Mr. MACK. But it is possible?

Mr. STEWART. Not under the conditions of the service.

Mr. MACK. The conditions of the service as they would occur out of this plan?

Mr. STEWART. Unless you could find such conditions existing today, you can hardly imagine such a condition in the future.

Mr. MACK. Take the existing standards of 60, 50, 40, 30, 25, 20, 15, and 10 foot apartment cars; I do not think it difficult to find such illustrations.

Mr. STEWART. I think it would be extremely difficult to find any such condition on any one route.

Mr. MACK. We have some of them ourselves.

Mr. ROWAN. Between New York and Buffalo you will find them.

Mr. MACK. Of course, as I have said, this plan would require the railroads to build 40 and 50 foot cars, storage as well as mail cars, because we could not afford to put in a 60-foot car and then get paid for a 40-foot car; there is too much difference. We run a risk of too great a loss of money.

Mr. STEWART. You do that now.

Mr. MACK. With full cars, because the amount, depending on the supplemental space pay, is very small; but if this plan were made effective we could not; for instance, take a storage car. We could not run a 60-foot storage car for which we should receive 18 cents and get only 12 cents and be certain that we derived all the pay that we ought to have from that car.

Mr. STEWART. Under the proposed plan the tendency would be to eliminate the smaller-sized cars by combining what we now call the authorized space, for which we pay specifically, and the space to carry the mails which are otherwise carried now in baggage and storage cars, for which we do not pay an additional specific amount, so that the objection raised by Mr. Mack would be gradually eliminated from the service. The department would so authorize the space for distribution purposes in connection with the storage mails, the mails now carried in the baggage cars, as to practically take up

all the space in a 50 or 60 foot car. So, therefore, his objection would gradually disappear.

Senator WEEKS. Could not the department do that?

Mr. STEWART. Yes, sir. When we go on this basis it will be a space basis and the distinction between distribution space and other space disappears. It is on this very distinction that exists now out of which the controversies arise that Mr. Mack and others have spoken of. The controversy that exists between the railroad companies and the department is about space. What kind of space? Distribution space. Space in the car which we claim is only necessary for distribution space and the company claims should be more because we may carry some storage mail in the excess space over that authorized.

The CHAIRMAN. If you do, you ought to pay for it.

Mr. STEWART. Mails for which we do not need distribution space. There is where the controversy arises, and the new plan would tend to eliminate such controversies, for we would be paying for all space under the new plan, whereas under the old plan we are paying additional for distribution space only. I think the gentlemen have overlooked that, and it is a very material point in connection with this plan.

The CHAIRMAN. What difference does it make whether it is distribution space or space for carrying sacks or pouches of mail? What is the difference?

Mr. STEWART. There would be no difference under the proposed law. That is the advantage of the new law in this respect.

The CHAIRMAN. I do not see why you make any distinction at all; it is so much space occupied and used and it should be paid for.

Mr. STEWART. We do not under the proposed law, but under the present law there are two different rates of pay, one based upon the weight of the mail for transportation, and additional pay for distribution space. Under the law we can not allow additional money for distribution space except for space devoted to distribution.

The CHAIRMAN. Is it your contention in the plan suggested by the department that it is far simpler in its operation than the present one?

Mr. STEWART. Yes, sir; I think so.

The CHAIRMAN. And it is yours, Mr. Mack, and the opinion of your associates, that it would be more intricate?

Mr. MACK. Infinitely more intricate, and I can not agree with Gen. Stewart about its eliminating points of dispute. I think it would multiply them very rapidly, and I am very sure that that is the opinion of all railroad men who have studied the question, that the complications will be multiplied rather than eliminated. That is one of the great points of objection we have to the space basis, that it is not a factor that adjusts itself, but it rests absolutely upon the judgment of somebody as to how much space they would say they needed. With this large variation of cars we would have to carry a big stock of all sorts of cars, otherwise we would lose a great deal of money while we were arguing the question whether 40, 50, or 60 feet ought to be paid for.

The CHAIRMAN. You would not furnish any more space than they would ask for?

Mr. MACK. We would have to build a lot of cars as a result of the plan, and we would have to keep in stock a lot of cars we do not now have.

Mr. STEWART. Why would you have to build a lot of new cars? We have the service now in operation, and if we adopt the new plan we would gradually merge from one to the other without the necessity of the companies supplying new cars. The cars now in use will serve as well under the new law as under the old.

Mr. MACK. I haven't any idea but what there would be demands for 40-foot storage cars.

Mr. STEWART. What is the average size of your storage cars now?

Mr. MACK. There are no storage cars under 60 feet, and nobody is building any under 60 feet to-day, except where they build 40-foot postal cars with the idea of demonstrating that a 40-foot car would not hold the mail.

Mr. STEWART. Which you partitioned off the mail space?

Mr. MACK. No.

Mr. STEWART. You are not building any of those?

Mr. MACK. No.

Mr. STEWART. I think the railroads are, as a rule, building at least 60-foot cars. My judgment is, and I think these gentlemen are clearly mistaken on that point, that this plan would gradually tend to eliminate the shorter-length cars, for wherever we are now paying for an authorization of 50 feet, for instance, and storage mail is carried in addition, we would combine the whole into a 60-foot car, because it will be on the same basis of pay.

Senator WEEKS. Suppose you only had mail enough for a 40-foot car. Then what?

Mr. STEWART. Then we would pay for 40 feet, unless there were storage or baggage mails that could be combined in the 60-foot postal car, if the company was running that sized car.

Senator WEEKS. Then they would be running a 60-foot car and getting pay for a 40-foot car?

Mr. STEWART. If there was a condition of that kind.

Senator WEEKS. Would not that exist frequently?

Mr. STEWART. I hardly think so.

Mr. LLOYD. Does it exist now?

Mr. STEWART. In nearly every case where full cars are run I presume we have baggage mails, and we would combine the space occupied by them with the 40 feet of distribution space.

Mr. LLOYD. Are they not combined now?

Mr. STEWART. They are combined, but we do not pay additional money.

Mr. LLOYD. You pay for carrying the baggage mail by weight?

Mr. STEWART. Yes; and under the new plan we would pay for it on basis of space and combine it with the other space.

The CHAIRMAN. Gen. Stewart, what do you say to the presentation made by Mr. Mack, and some of these other gentlemen, in reference to the loading charge. You suggest a maximum of 12 cents a ton loading charge, and they present concrete instances running from 40 cents up to 77 cents per ton, which latter I think was the maximum. There is a vast discrepancy there.

Mr. SCOTT. I would not like to have that 77 cents go into the record as a correct figure. We have 107 men in Chicago who do nothing but transfer mail. If we divide their salary into 300 tons of mail a day it means 77 cents, but if it is 500 tons it means 47 cents. I do not know whether to-day there are 300 or 500 tons going through the station.

Mr. MACK. Mr. Wade mentioned 80 cents at Jersey City.

The CHAIRMAN. What was the one you mentioned, the maximum?

Mr. MACK. Forty-nine.

Mr. LLOYD. How are we to know that 49 cents is accurate?

Mr. MACK. There is no question about that. My testimony is that that is the actual cost.

Mr. LLOYD. And you have figured it out in your statement and your statement will show that?

Mr. MACK. Yes. That is the actual average tonnage taken from the weights of the mail as handled at St. Louis and at Kansas City?

Senator WEEKS. For how long a time?

Mr. MACK. You see it is worked out from an average daily weight.

Mr. LLOYD. Is this worked out with the same accuracy?

Mr. WADE. There are no special mail employees. We have about 30, perhaps, who work on the mail for an hour or two at a time at different times during the day and my estimate was based upon the figures made by the station baggage agents of the number of hours that each man on this force of porters was engaged in the work of handling the mails.

The CHAIRMAN. And doing no other work during that period?

Mr. WADE. Doing no other work during that period.

Mr. LLOYD. How did you determine the weight of the mail?

Mr. WADE. That is from the last annual weighing.

Mr. LLOYD. You obtained the daily average from that?

Mr. WADE. Yes, sir.

Dr. LORENZ. May I ask whether the figures given per ton are the cost of handling on alone, off alone, or does it include the cost of handling both off and on?

Mr. WADE. The cost of handling the tonnage.

Dr. LORENZ. That is indefinite. If you transfer mail from one car, put it on a truck, carry it over to the next car and put it into that car, that is handling it twice. I understand your maximum of 49 cents includes those two operations?

Mr. MACK. Yes.

Dr. LORENZ. So that the 12 cents should be compared with half your rate and not the entire rate you quote, because Mr. Stewart proposes to pay 12 cents for putting it off and 12 cents for putting it on?

Mr. MACK. It is a loading rate.

Dr. LORENZ. Mr. Stewart's is both loading and unloading. That would make 100 per cent difference.

Mr. MACK. Then it would increase the rate to 24 cents as compared with 49, but I do not think the bill covers that.

Dr. LORENZ. That is the intention of the bill.

The CHAIRMAN. The mails loaded and unloaded at terminal, or anywhere, 12 cents per ton?

Mr. STEWART. In reply to the question asked me, I should like to make this request of the gentlemen, that they file with the commission the data upon which they have reached these conclusions, so that we may examine it.

The CHAIRMAN. Mr. Mack gave concrete instances which have gone into the record of ascertainments that he has made on these lines.

Mr. STEWART. He has given his ascertainments, and I want the data from which he arrived at those ascertainments.

Mr. MACK. We would be very glad to give you that.

Mr. STEWART. This question is an extremely difficult one, and we have given it all the attention we could, since it was necessary to submit to you the draft of a bill. Both Dr. Lorenz and ourselves have endeavored in every way to get adequate light on the subject. We have examined, for instance, the amounts given by the companies themselves, on page 14 of the preliminary report of the commission, on which they set forth certain items of wages and other expenses at terminals throughout the United States as the basis for their claim that the department did not allow sufficient in Document 105. We assumed that that statement represented the maximum and that it is correct, so far as the judgment of the railway-mail pay committee was concerned. We have made some calculations upon those figures, although they are much higher than our judgment would dictate.

The CHAIRMAN. Based on your judgment, do I understand you think 12 cents is too high?

Mr. STEWART. I think 12 cents is about right. Based on those figures, we are unable to make a higher rate than $3.50 for the constant and the loading charge throughout the entire country; that is, per trip. That would cover both the loading and the unloading, and is almost the same amount proposed by Dr. Lorenz in his bill. Ours is a trifle lower than that, but, as I say, the figures given by the railway-mail pay committee I assume to be the maximum and with which they could not find any fault. We have also compared our figures with statements of terminal charges submitted by a number of terminal associations and union depots to the Interstate Commerce Commission, and we find that our constant and leading charge is well sustained by the figures.

The CHAIRMAN. That is 12 cents a ton?

Mr. STEWART. Yes, sir. In addition to that, I have a specific instance here which is in the files of the department and which covers the operations of the Terminal Railroad Association of St. Louis. You all know that the Terminal Railroad Association of St. Louis handles all the cars in and out of St. Louis and operates the trackage over the Eads and Merchants' bridges and extending into the Union Station. Here is a complete statement of all charges of every description, including overhead charges.

Senator WEEKS. Furnished by whom?

Mr. STEWART. Furnished by the Terminal Railroad Association of St. Louis in connection with their claim that the allowance of $50,000 for the special services there should not be reduced. This proposition has been before Congress for two years. They have reduced these expenses to a car basis, and they are as follows: Average cost per car, all lines, operating expenses, $1.767; rental, taxes, etc., less joint facility revenues, 86.3 cents; total, $2.63; mail transfer expenses, 6.7 cents a car; Washington Avenue Station ex-

penses, 3.2 cents; total, $2.73 a car for all the cars handled in and out of that immense terminal, the gateway to the Southwest.

Senator WEEKS. Does that cover both in and out?

Mr. STEWART. Yes, sir; that is only one way. Covering a trackage of 5 to 10 miles outside of the Union Station itself.

Senator WEEKS. Does that mean that they would load and unload mail in the car for 6.7 cents?

Mr. STEWART. These are the figures indicated by this account.

Senator WEEKS. How long would it take a man to do it in your opinion?

Mr. STEWART. It would depend on the load, of course.

Senator WEEKS. Suppose you filled the car?

Mr. STEWART. You do not mean one man, but you mean enough men at the station to load it? Of course they have a number of porters there who are engaged on this work alone.

Senator WEEKS. I mean reduced to the basis of one man. If you had a dozen men, we will assume that they would do it 12 times as quickly as one man, but how long do you think it would take one man to load a car with mail?

Mr. STEWART. I have never made a calculation on that.

Senator WEEKS. What does your common sense indicate?

Mr. STEWART. I should not want to guess.

Senator WEEKS. Do you think it would take him several hours?

Mr. STEWART. No; I do not.

Senator WEEKS. Do you not think it would take him two or three hours?

Mr. STEWART. There are practical railroad and mail men here who can give you an exact estimate on that.

Senator WEEKS. But you dispute their figures?

Mr. STEWART. No; I do not. I dispute their conclusions.

Senator WEEKS. What have you to say, Mr. Mack, as to how long it would take a man to load a car of mail?

Mr. MACK. Of course that depends on the loading. With our outgoing trains at St. Louis the loading is through a process of time, and we set our cars for both of the fast mails—South and West—at 9 o'clock in the evening, and the trains do not leave until half past 2, and the process of loading is going on in five cars on one train and six on the other constantly during that time.

Senator WEEKS. We are not getting anywhere on this proposition. Do you think it would take a man three hours to load one of those cars?

Mr. MACK. It would take two men three hours, I have not the slightest doubt of it. I am giving, however, an offhand opinion.

Senator WEEKS. You have not any men who work for less than 20 cents an hour?

Mr. MACK. No, sir.

Senator WEEKS. Then, if it would take two men three hours, it would cost $1.20?

Mr. MACK. Yes.

Senator WEEKS. Then, how is it possible 6.7 could be right?

Mr. MACK. I do not understand it.

Senator WEEKS. Mr. Peters, are not those figures the cost of all cars in and out? Is that of mail cars alone or of all cars?

Mr. PETERS. That is mail cars alone.

Senator WEEKS. When he adds it up and says the total cost of all cars is $2.73 per car, "all cars" means every class of car handled in and out of the station, express, baggage, postal, and storage?

Mr. MACK. This statement might not purport to show what Gen. Stewart has understood.

Mr. PETERS. Bearing on the cost of handling, Mr. Peabody has a record of a great many stations on the road. The handling of freight, of course, is different from the handling of mail, but they keep the pay for handling freight on a tonnage basis, and Mr. Peabody has the rate at many of those stations and can give it to us. Whether that will give you an idea as to what it should cost for handling mail, it would, at least, give you a very fair idea of what their labor cost is.

Mr. MACK. I would like the opportunity to see the statement that Mr. Stewart has, to see whether it really shows what he thinks it does.

Mr. STEWART. Which statement is that?

Mr. MACK. The statement that you have here.

Mr. LLOYD. Do you wish to make any further statement?

Mr. STEWART. Yes. There was something said by each of the gentlemen in presenting their papers with regard to the supposed absence of an exigency for legislation requiring the railroad companies to carry the mails, and they seemed to be under the impression that all the railroad companies are carrying the mails without protest and without threat to discontinue service. I assume that they are not familiar with the facts as they have developed in the last one or two years and the situation in which the department now finds itself where we are confronted almost daily with the difficulty of keeping mails on the railroads. We have had specific notices from some of the large companies that they intended to discontinue the carrying of mails, and cases are still pending where the question is unsettled as to whether they will continue to carry the mails. I replied to one yesterday; I replied to one last week; and to another one recently in the New England section. I have a letter on my desk now in which the writer states that I have forgotten the controversy I had with him a few months ago in which he threatened to take the mails off of his entire line and forced me to come to his terms for railroad mail service. So the matter goes on from day to day.

The CHAIRMAN. The reason being what? Do they specify in their letters any specific reason?

Mr. STEWART. Because of difference of opinion existing between the department and the railroad companies as to what they think the terms of the service are. For instance, in one case the controversy was over the fact that the department refused to waive the postal regulation and relieve the company of the terminal service on certain routes. Those cases are not infrequent.

Mr. MACK. They are short lines?

Mr. STEWART. No; they are not all short lines.

Mr. MACK. But they are short routes?

Mr. STEWART. They are short routes on branch lines operated in connection with main-line routes. I did not intend to put into the record at this time the name of any specific company, but it is well known that the Toledo, St. Louis & Western Railroad gave the department notice that on a certain day they would discontinue the

carrying of the mails. That company has some 400 miles of line running from Toledo, Ohio, to St. Louis, Mo., supplying a large number of offices and towns that are not otherwise supplied by railroad-mail service. The withdrawal of that service would result in great inconvenience to many patrons of the mails and many patrons of the railroad itself.

The CHAIRMAN. Would not the threat or the suggestion of withdrawal of service indicate that, in the opinion of the operators of the road, they are not making large profits?

Mr. STEWART. Yes, sir. In that case it was alleged by the company that they were not making expenses. I am satisfied that they had been induced to believe that by representations which may have been sincerely made to them, but which were entirely inaccurate. I went to Toledo and convinced the gentlemen, I think, that they were wrong in that.

The CHAIRMAN. That is, the management of the company?

Mr. STEWART. Yes, sir. They consented to continue the service upon certain conditions, which we attempted to comply with; but after I returned to Washington I found that our agreement was misunderstood by the company, or certainly we did not understand the matter the same way, and I still have pending the proposition to take the mails off that road. It is usually over small, trifling, and immaterial things, as in this case, that these controversies arise. We asked the company to take care of the mails during the night at two or three stations where they did not think that they should do so, and that is one of the things that led to the notice. We discontinued delivery of mails for these towns from the night-mail trains in order to help out the company and keep the service going, and have since supplied them by local freight trains in the early morning.

Mr. BALDWIN. I will ask General Stewart if any such condition ever came to his notice prior to that time? In other words, if it has not all arisen in recent years from the present administration of the Post Office Department?

Mr. STEWART. It has arisen during recent years.

Mr. BALDWIN. Yes.

Mr. MACK. Do you not think it is due to dissatisfaction with the pay, dissatisfaction with the requirements, and dissatisfaction because there has not been reasonable pay, in their judgment, for the Parcel Post Service? Is not the whole trouble one resulting from the question of inadequate pay, or believed to be inadequate in the judgment of the railroads, and is it not further true that it applies to exceptional instances and does not apply to large railroad systems or to the railroads of the country anything like a whole?

Mr. STEWART. Answering your last question first, we have serious controversies with some of the large companies with regard to discontinuing the mail service, not with the Missouri Pacific, the Burlington, the Pennsylvania, or the New York Central, but with some roads of what might be called the "intermediate grades." Answering your other question, I am compelled to say that I believe that the sentiment of managers of railroads throughout the country in regard to railway-mail pay and its adequacy, or inadequacy, has been brought about by the needless and unwarranted agitation by persons

who have represented throughout the country that the mail pay is too low.

Mr. MACK. All growing out of the reductions that were made in 1907, and the application of the divisor reducing the railway-mail pay $9,000,000? There was no trouble before that.

Mr. STEWART. Congress reduced the mail pay in 1907.

Mr. MACK. Yes; I am not charging you with reducing the mail pay. I am stating the conditions now.

Mr. STEWART. I am also stating the conditions.

Mr. LLOYD. You might charge the Postmaster General with obtaining the divisor.

Mr. MACK. I think we can do that all right.

Mr. STEWART. The Post Office Department assumes responsibility for changing the divisor. I am satisfied that there are not many men in this room who do not believe that the mathematically correct divisor is the right divisor.

Mr. PETERS. I am one who will disagree with you on that.

Mr. STEWART. Although the pay is fixed per annum?

Mr. PETERS. No; fixed on the average daily weight carried per mile per annum.

Mr. STEWART. Yes; not per diem.

Mr. PETERS. Not the weight carried per annum.

Mr. MACK. We will have to refer to the Court of Claims decision.

Mr. STEWART. The Court of Claims has this under consideration now, and it will be argued next week.

Mr. PETERS. Mr. Chairman, I would like to say to Mr. Stewart that while there is such a feeling about this, our committee is responsible for it and I will assume the responsibility, if nobody else will. We have studied this question as it was never studied before, and we have had the best minds we could get hold of to devote their attention to it, and we have advised the railroad people of the country of the condition, we have advised the people of the country of the condition and we honestly believe we are doing a great work for very small pay. That is why there is that feeling. It was not started with any antagonism, but it was started with the idea of getting what we think is fair. Now, you differ from us and we differ from you. We have put all the cards on the table before this commission and we are asking this commission to decide that. May I add just one more thing in regard to the St. Louis terminal situation: That I think there has been a great misunderstanding there. The total number of cars handled there is proportioned between the different roads; that is, all classes of cars, at 523,000, as I understand it, and this is the proportion of cars to each road, and the mail transfer chargeable to each road has been proportioned on the basis of the total cars for each road, and that same thing is carried out there. These are not mail cars, but it is the proportion on which they distribute the mail expense to each one of these different roads. That is the way I analyzed the statement, but I think before it should go into the record as to what is right, we ought to have the St. Louis Terminal Association analyze it for us. We have with us Mr. Hitt, of the Short Line Association.

The CHAIRMAN. We will be glad to hear Mr. Hitt after Mr. Stewart gets through. Do you think Mr. Hitt can make a statement on this point?

Mr. PETERS. They carry a similar statement on the terminals at Atlanta.

The CHAIRMAN. We will be glad to have you take this statement up and make a statement as to your experience of a similar nature.

## STATEMENT OF MR. HITT.

Mr. HITT. I can throw some light on the question of cost of cars for mail transfer, as I am familiar with the operations of the Atlanta terminal station, the expenses, as I understand it, being divided on a basis similar to that at St. Louis. That is, expenses are prorated on basis of all cars handled. The total figure runs about 76 cents, not including interest. For the information of the roads concerned this total average figure of 76 cents is divided into certain subelements, and while I do not know that the cost of mail transfer by the Atlanta Terminal Station is shown separately, other items are and for that purpose no certain classes of cars are segregated. For comparative purposes from year to year it is entirely convenient to use the one factor of total average cars.

By noticing the St. Louis statement there will be found a total of 523,000 cars, which is the average used in getting the rate of 6.7 cents. In other words, it is an average charge spread over all cars, showing what proportion of the total average consists of handling the mail transfer.

The CHAIRMAN. From which, do you deduce that that is not a fair statement as to the cost of loading the car at that terminal?

Mr. HITT. Not loading a carload of mail. Of the charge of the grand total cost of handling all cars at the St. Louis Terminal Station, 6.7 cents is chargeable to the cost of the mail transfer; that is the average cost of the grand total of handling all cars.

The CHAIRMAN. Not a cost per mail car in cents?

Mr. HITT. No, sir.

Mr. BRADLEY. Mr. Chairman, I think it will be illuminating to analyze that rate in this way: The average reported by the department for the loading of a storage car is a little over 7 tons. The rate per car assigned in this statement is a little less than 7 cents. Remembering that the cars are not loaded mechanically, but by hand, that only allows 1 cent a ton for the manual labor of loading a storage car. In the case of a railway post office it would average a little over 2 cents a ton for the manual loading of a postal car, so it seems from that point of view alone that it is obvious that the figures can not be correct.

Mr. STEWART. In regard to this statement of the Terminal Railroad Association of St. Louis, I want to say that we have not had an opportunity of analyzing this with reference to the question before the commission, but I simply introduced it here to-day during the casual discussion as I want to give you all the available information we have before us. It may be correct, as these gentlemen say, that this is prorated on all the cars, for I think it very low. It struck us as extremely low, but we did not predicate a rate upon it.

The CHAIRMAN. I misunderstood you. I thought you had this under consideration when you came to your determination as to the maximum of 12 cents.

Mr. STEWART. Not at all.

(Mr. Stewart subsequently submitted the following memorandum relative to this matter:)

As stated in the hearings, the average costs for each car were as follows:

| | |
|---|---|
| Operating expenses | $1.767 |
| Rental, taxes, etc., less general facilities revenue | .863 |
| Total | 2.630 |
| Mail transfer expenses | .0679 |
| Washington Avenue Station expenses | .0324 |
| Grand total | 2.731 |

The total mail-transfer expenses are shown in the company's statement to be $35,557.25. A statement submitted by the company for the fiscal year ended June 30, 1912, showing the number of mail, express, and baggage cars handled at the Union Station, St. Louis, Mo., gives the total number of mail cars handled as 53,175. It has been ascertained from the records of the department that the total weight handled on and off at the Union Station for the several mail routes involved aggregates 133,590 tons per annum. Dividing the total mail transfer cost as above stated by the total weight handled results in an average cost per ton handled of 26.62 cents. Dividing the total weight by twice the number of cars handled gives the average load for each car in and out of the station as 1.26 tons and shows the average number of mail cars handled per day as 291. However, this total mail transfer cost is based on two items, one for actual labor involved in handling the mails by porters aggregating $29,017.25, and the other for supervisory labor of eight foremen at an annual cost of $6,540. The total cost per ton handled should therefore be divided into the cost for handling and the cost for supervision, which produces 21.72 cents and 4.90 cents, respectively.

Mr. PETERS. Now, Mr. Chairman, if you would like some more information as to the average cost for handling freight in less than carloads in freight houses, which would give you a fairly good idea of what would be a good average cost of handling the mail, Mr. Peabody has some figures on that subject.

The CHAIRMAN. We would be glad to have Mr. Peabody come forward and give us the benefit of the computations he has made on the Atchison road.

## STATEMENT OF MR. PEABODY.

Mr. PEABODY. Mr. Chairman, when I received a copy of pamphlet No. 8 and noticed the allowance of 12 cents per ton, I immediately commenced an investigation as to the cost of handling less-than-carload freight on our own line at various points. We keep these figures constantly on file and I have compiled the actual handling cost for less-than-carload freight for the months of September, October, and November, those months being taken as being the last three months where I had the complete record at Chicago, St. Joseph, Kansas City, Topeka, Wichita, Oklahoma City, Fresno, Cal., San Francisco, Los Angeles, San Diego, Dallas, Fort Worth, Galveston, and Houston, as being representative points over the country. The statement covers the number of cars that we handled at the time, the number of tons loaded into those cars, the actual handling cost and the cost per ton. The Chicago cost per ton was 45 cents; St. Joseph, 36 cents; Kansas City, 45 cents; Topeka, 32 cents; Wichita, 35 cents; Oklahoma City, 31 cents; Fresno, 44 cents; San Francisco, 47 cents; Los Angeles, 53 cents; San Diego, 46 cents; Dallas, 45

cents; Fort Worth, 31 cents; Galveston, 23; Houston, 34 cents; making an average of 43 cents.

The CHAIRMAN. Will you kindly give the committee the benefit of the information as to what factors entered into your calculation in making up those costs.

Mr. PEABODY. The cost of the truckers and the stowers, the cost of the checkers. It is all labor cost and there is included no clerical cost in connection with the billing.

The CHAIRMAN. No overhead charge whatever?

Mr. PEABODY. No overhead charge whatever, but simply labor cost.

Dr. LORENZ. Is that cost per ton counted once off and once on?

Mr. PEABODY. That is the cost per ton of handling. Most of it is received from a wagon, it is unloaded from the wagon by the man in the wagon.

Mr. LLOYD. That includes both the cost of loading and unloading?

Mr. PEABODY. Oh, no. It is unloaded from the wagon to the platform by the men in the wagon and our truckers take it from that point and load it into the cars. It is true, however, in some cases, we do transfer freight and in that case it would check the labor cost of taking it from one car and putting it into another.

Mr. STEWART. How much of this is an apportioned cost and how much is direct?

Mr. PEABODY. Not a cent apportioned. It is was all direct labor cost.

Mr. STEWART. These men do not do anything else but handle freight?

Mr. PEABODY. They all work by the hour.

Dr. LORENZ. Is it not true that in the case of the mail handling that the work of the checker and the work of the stower in the car is done by the Post Office Department and not done by the railroad company?

Mr. PEABODY. Certainly not done by the railroad, because they have no interest in the car.

Dr. LORENZ. So that these figures would make a difference in the comparison?

Mr. SEARLE. With reference to the loading of storage cars on our line, the stowing away is done by the railroad employees and not by the post-office employees.

The CHAIRMAN. Then, Mr. Peabody, if you had a car of freight loaded at Chicago and unloaded it at Houston, the cost of the loading and unloading would be the cost of the total of your two computations; that is, 45 cents and 34 cents?

Mr. PEABODY. The same total; yes, sir.

The CHAIRMAN. Seventy-nine cents would be the cost?

Mr. PEABODY. That is correct.

Mr. STEWART. What are the services performed by these porters?

Mr. PEABODY. You mean the truckers?

They are not porters. They put the stuff on the truck and truck it to the car.

Dr. LORENZ. Does it include the cost of weighing the freight?

Mr. PEABODY. No; this is not mail, but it is freight. They take it from the point that it is put into the house at the freight-receiving door, load it onto the truck, truck it to the car, unload it, and come back and get another load.

Mr. STEWART. Put it in the car?

Mr. PEABODY. They run the truck into the car.

Mr. STEWART. And stow it in the car?

Mr. PEABODY. No; there is a stower in most cases.

Dr. LORENZ. Does it include the cost of weighing the freight?

Mr. PEABODY. I would not be certain. I should say I think not. There is a scale at the door and the weighing is almost automatically done as it goes in.

Mr. LLOYD. Some one has to look after it?

Mr. PEABODY. Yes.

Mr. SCOTT. The general practice is to accept small shipments on shippers' weights; they are already fixed by tariff by special instruction in regard to the weight. For instance, a box of soap would be put in at so many pounds; that would not be weighed, and it saves a great deal of time in that way.

Senator WEEKS. How much do you pay these men an hour?

Mr. PEABODY. I do not know.

Senator WEEKS. How much do you think?

Mr. PEABODY. Somewhere between 20 and 25 cents, I think. I do not know what the rate is; it varies at different places. I should judge in Los Angeles the rate of pay was a good deal more, because the rate there is 53 cents, whereas in Galveston, where they employ colored labor, the cost is only 23 cents.

Mr. STEWART. What is the character of the articles?

Mr. PEABODY. Everything that is shipped.

Mr. STEWART. Are they small articles?

Mr. PEABODY. Small boxes and large boxes.

Mr. STEWART. Then there is quite a material difference from sacks of mail that are all uniform in character and size?

Mr. PEABODY. Oh, yes. It is not intended to be compared with mail, but it is an indication of what it will cost to handle stuff over the platform.

Mr. LLOYD. Then this will prove that the proposed rate of $1.40 is a little bit too high, would it not?

Mr. PEABODY. $1.40 for what?

Mr. LLOYD. This proposed bill allows $1.40 for the terminal charge and, according to this statement——

Mr. PEABODY. Oh, no. As I understand it, $1.40 is the expense for handling the car, switching, and cleaning.

Mr. STEWART. How much longer do you think it would require to load a ton of this kind of matter you are speaking of than it would require to load a ton of mail in sacks?

Mr. PEABODY. I should think that if there was any difference it would be in favor of the merchandise.

Mr. STEWART. You say they are smaller packages?

Mr. PEABODY. Smaller and larger.

Mr. STEWART. Are they principally larger or smaller?

Mr. PEABODY. There are all sorts. They run all the way from 10 pounds up to 200 and 300 and 400 pounds. In some cases they load pianos, furniture, and everything else of that sort.

Mr. STEWART. What would be the average weight of the parcel?

Mr. PEABODY. That would be impossible to state.

Senator WEEKS. What is the average weight of a sack of mail?

Mr. STEWART. It depends somewhat on whether it is storage mail or mail in the working car.

Senator WEEKS. The sacks are of different sizes?

Mr. PEABODY. Yes.

Mr. MCBRIDE. The average weight of sacks containing second class mail is about 40 pounds.

The CHAIRMAN. What is your average for first-class mail, and third?

Mr. MCBRIDE. I could not say.

Senator WEEKS. The only value of this is whether it is a fair comparison with the mail. Are you prepared to say it is not?

Mr. STEWART. I am not. I was trying to get information from him because I am not familiar with the freight business.

Mr. SAFFORD. I think the department has a regulation in order to conserve the use of equipment that requires that any sacks having less than 25 pounds shall be consolidated, so that the weight of mail sacks would run, according to their theoretical adjustment of the matter, from 25 pounds to, probably 250 or 300 pounds. A sack of documents going out of here, for instance, is as much as two men can handle.

Mr. MCBRIDE. I might say that in 1909 when the department determined upon the basis for the allotment of closed-pouch space a record was kept for a period of the weights of pouches and sacks on closed-pouch lines, from which it was determined that the average weight was about 20 pounds on closed-pouch lines.

Mr. PEABODY. If the average is 20 pounds for the mail, there are more packages of mail to be handled per ton than less-than-carload freight.

Mr. LLOYD. But you can handle them more easily because they are uniform?

Mr. MCBRIDE. The figure I gave was for sacks and pouches carried on closed-pouch trains, not on trains where mail is carried in bulk. The limit of weight prescribed by the department is 150 pounds to a sack.

Mr. MACK. You have a larger number of parcels and do not get the limit?

Mr. TUTTLE. It is a fact you have to take a great deal more time in handling the ordinary freight packages of glass and groceries, than the average sacks of mail?

Mr. PEABODY. We would be glad to believe our men handled that stuff carefully, but we do not believe they do.

The CHAIRMAN. Mr. Peabody, have you any other statements in reference to this?

Mr. PEABODY. No.

Mr. LLOYD. Mr. Mack, suppose that, according to your view of things the commission should commit the unpardonable blunder of accepting this space basis. What would you say as to the division into the five classes, "Services herein provided for shall be of five classes, namely, full railway-post-office-car mail service, apartment railway-post-office-car mail service, storage-car mail service, closed-pouch mail service, and side, terminal, and transfer mail service"?

Mr. MACK. How many classes do I think there should be?

Mr. LLOYD. If we are going to accept this theory of the space basis, what is your objection to the division into classes, and are those the classes that ought to be made?

Mr. MACK. I think the parcel post is developing a very considerable change in the Postal Service. The probabilities are with our company, that we will not build any mail apartment cars less than 30 feet in length.

Mr. LLOYD. You would have these five divisions, would you not, if we are going to have this space basis?

Mr. MACK. On any space system I would not think there would be need of any such number of units. To-day, for instance, practically all of the apartment-car service is developing overflow mail into baggage cars, and we find that a pretty general condition in the service. They work this mail up at the terminals.

Mr. LLOYD. Now, what kind of services, if they do not adopt these five classes, should be adopted? You are not committing yourself to space, but you have decidedly taken a position against space and in favor of weight. But suppose we should conclude to make a report in favor of the space basis. Now, if we do, you people are certain to protect yourselves as much as possible in the fixing and arrangement of the line in reference to the space basis. I want your idea with reference to these things. I am not committing any member of the commission or myself, but suppose we come to the conclusion that General Stewart's suggestion, or something like that, should be the basis of pay? I want to get at your notion with reference to these classes. You have not objected to General Stewart's provision with reference to side, terminal, and transfer mail service, because that is one thing you want, and he relieves you of that burden.

Mr. MACK. Yes, sir; we will be very glad to be relieved of that.

Mr. LLOYD. So you would be satisfied with that suggestion. How about the other, the railway postal car, apartment railway postal car, storage and closed pouch mail service? You would need all of those, would you not?

Mr. MACK. There are all classes of that kind of service to-day, but the proposition to pay for them on a space basis would produce these difficulties that we have endeavored to point out.

Mr. LLOYD. Would it produce difficulty if you changed the classes?

Mr. MACK. I think the service itself is producing a change in the matter of apartment-car service, or will produce it. For instance, let me show you the effect of a change that came up a day or two ago on the Denver & Rio Grande. On a train out of Salida they have a 25-foot mail apartment car——

Mr. LLOYD. I have not reached that point yet, but I am coming to that.

Mr. MACK. All this has a very direct bearing on the sizes of apartment cars and shows you how the overflow mail is going into the baggage car, and for that reason, as I say, we will not undertake to build anything less than 30-foot mail apartments in the future. For instance, on the Rio Grande train, No. 315, out of Salida, the baggagemaster said that there are 77 sacks of mail in the baggage car, and he makes a note on the bottom of his report and says that is less than half the number when they are not weighing the mail. When weighing the mail they load up their car to a greater capacity, because it is easier to weigh it. As I say, we would not undertake to build

anything less than 30-foot apartments on our railroad hereafter. Particularly will that be necessary with the parcel post. If the parcel post develops and increases, the tendency is going to eliminate need for a smaller car; that is, the smaller cars that are in service to-day. If the department was to enlarge the space to take in all the mails, instead of throwing the surplus mail into the baggage car, it would eliminate the smaller cars, except, in my judgment, in very rare instances on very small lines.

Mr. LLOYD. In the suggested bill it is proposed that—

> Full railway post office car mail service shall be service by cars 40 feet or more in length, constructed, fitted up, and maintained for the distribution of mails on trains. Four standard sizes of full railway post-office cars may be authorized and paid for, namely, cars 40 feet, 50 feet, 60 feet, and 70 feet in length.

What would you say to those classes?

Mr. MACK. I pointed out that we are not building anything less than 60-foot cars, neither storage cars or postal cars. No railroad is building 40-foot cars.

Mr. LLOYD. Do you think that any system that is adopted ought to provide for only one class of car, namely, a 60-foot car for a railway post-office car?

Mr. MACK. I do not think any plan ought to provide for anything less, when a full car is used, than a 60-foot car.

Mr. LLOYD. You think that is the view generally of all your people?

Mr. MACK. I can not say for them all, because we have not discussed it, but I think it is fair to take the judgment of the railway men present. That is my own view. We would not build anything less than 30-foot in apartment cars in view of the service as it exists to-day and the probable development of the parcels post on similar lines. As to full cars, nobody would think of building less than 60-foot cars except as a matter of compulsion to protect ourselves on 40 and 50 foot car rates.

Mr. LLOYD. Then, as I understand you, you think if that was adopted there ought to be one standard size for full cars and that should be 60 feet in length?

Mr. MACK. That is my judgment.

Mr. LLOYD. In reference to the post-office cars, there is a recommendation of "Five standard sizes of apartment railway post-office cars may be authorized and paid for, namely, apartments 10 feet, 15 feet, 20 feet, 25 feet, and 30 feet in length." As I understand you, your suggestion is that if this is to be adopted there should not be but one class, and that class a 30-foot car.

Mr. MACK. I say I do not want to commit myself as favoring the plan at all. I don't think space fits the service.

Mr. LLOYD. We are not committing you to the plan.

Mr. MACK. Nor to any rate in connection with it, but I say we would not build anything less than 30-foot apartments, and I do not know why any other railroad should do so, considering the development of the Postal Service.

Mr. LLOYD. You do not want to say that, because if this becomes a law it would provide that you will have to do it.

Mr. CONNOLLY. The Jersey Central is now building steel cars, 71 feet in all, 70 feet inside length, and every one of those cars are to

have apartments, although the department had standardized some of those down as low as 10 feet on our trains.

Mr. STEWART. He is willing to provide that 30 feet under the present conditions.

Mr. LLOYD. Under your suggested plan he would not get paid for weight, but he would get paid for space. Then the question of 10 feet, 20 feet, and 30 feet is to him a very serious matter if he is paid on a space basis. He says that he ought to be paid for the full 30 feet, because now he gives 30 feet; hereafter he will give 30 feet if he is required to use that car, and he ought to have pay for 30 feet. You say, in the suggested plan, we will not pay you for 30 feet, notwithstanding you furnish the car, but we will pay you for 10 feet, 15 feet, or 20, as the case may be.

Mr. STEWART. But his rate of pay does not pay him now for 30 feet.

Mr. LLOYD. This is on an apartment car, where he gets paid for nothing except the weight.

Mr. MCBRIDE. Is it not probable that in that car, where he uses 10 feet only for distribution space, the rest of the space would be taken up with storage mail, which, if the apartment was but 10 feet in length, would have to be loaded in the baggage end? Under the new plan we would pay for 30 feet under such conditions.

Mr. CONNOLLY. I beg your pardon. You are using that 30 feet now and sending it back in your baggage cars, too.

Mr. MCBRIDE. Then under the new plan we would probably pay for more than 30 feet.

Mr. CONNOLLY. I think the position is inconsistent.

Mr. MACK. I do not think that these two questions have been thoroughly discussed between us, and I do not know what their view is, but I think it would be a good idea to take the view of the other gentlemen present to see whether the view that I have expressed, as to 30 and 60 feet, is correct.

The CHAIRMAN. We might add if any of the gentlemen present differ with Mr. Mack's judgment in this matter, and his statement that his line, so far as he believes, would build no cars of less than 30-foot apartment, that they will so indicate.

Mr. PETERS. In our opinion, Mr. Chairman, we would not be justified in building new steel cars (and that is all we build on account of running through the tunnels and running the electric service), with an apartment of less than 30 feet. In building a steel car it costs a great deal of money to change the apartment. Taking one-sized car, even though the department is asking for only 15 and 20 feet now, we feel that with the growth of the mail they will soon be using 30 feet and it is better to adopt a standard of 30 feet instead of going to the different sizes, because in building the steel cars we can get them all of the proper size.

Mr. Chairman, we have with us a number of the representatives of the short-line road association of the southeast, who hoped that they could have a hearing before you to-morrow morning, if you will give them the time.

The CHAIRMAN. We will be glad to hear them in the morning.

Mr. LLOYD. In the matter of storage cars in this suggested bill, there are four standard sizes, namely, 40 feet, 50 feet, 60 feet, and 70

feet. If this system is to be adopted, what do you say as to these four sizes?

Mr. MACK. The same thing would apply to the storage car and apply more particularly to the storage car than the mail car. A storage car is nothing more or less than a baggage car with perhaps better lighting facilities than the baggage car.

Mr. LLOYD. Do you not have all lengths of baggage cars?

Mr. MACK. No, sir. We do not build anything in the way of baggage cars to-day under 70 feet. The tendency is not to build short cars, as we have outgrown that condition entirely.

Mr. LLOYD. Suppose, if this system were adopted, there is enough storage mail to fill a 40-foot car, or fill the space of a 40-foot car in the car. Do you think it would be right for the Government to pay for 60 feet?

Mr. MACK. I think it would be right for the Government to pay for the car, or whatever we have to haul, whatever we have to furnish. We ought not be asked to furnish a 40-foot car or a 50-foot car, or carry a lot of irregular-sized cars in our equipment simply to give what would be equivalent to a special rate to the Government in furnishing a car we do not furnish to anybody else.

Mr. LLOYD. You are getting at the point I want to reach with reference to storage and other cars, too. Is the mail car to be 10 feet, 15 feet, 20 feet, 25, 30, 35, 40, 45, 50, 55, 60, 65, or 70 feet to suit the suggestion of the Post Office Department, or would it be a wiser proposition to have a standard R. P. O. car and a standard storage car and a standard apartment car. Do you think it would be better to have a standard car?

Mr. MACK. It is a transportation proposition.

Mr. LLOYD. What would you say to that, General Stewart?

Mr. STEWART. I think it would be very unfair to the department to establish such a unit, because it would compel the Government to pay for a large amount of space that it was not using and did not need to use, and which the railroad company could use. Those conditions could be met just as they are met to-day. Take, for instance, the 70 foot cars which some companies have been building for some time past. They do not want to build any more 60-foot cars. The companies came to the department and asked if we would consent to their partitioning off 40 feet in a 70-foot car, and if we would agree to pay for that 40-foot space in a 70-foot car as a 40-foot car. We said we would do so and made a regulation to that effect, and we are now paying for some such cars. So that this question could be met in the same way. They use the remainder of the cars for their own purposes.

The CHAIRMAN. What do they use them for, for express and baggage?

Mr. STEWART. I do not know. I presume so.

Mr. SCOTT. I had no recollection of that.

Mr. STEWART. Haven't you 70-foot cars with 40-foot apartments?

Mr. SCOTT. Not one on the system.

Mr. BRADLEY. Probably you are thinking of the Frisco.

Mr. STEWART. Probably. I will correct the record.

Mr. MACK. There is one road that does that, and I think that was the Frisco Road, and I am very sure they only do that on one train, which is the Meteor out of St. Louis—their fast train.

Mr. STEWART. The regulation was promulgated to meet a condition in the service, and any company is privileged to avail itself of it.

Mr. LLOYD. As I understand your proposed bill, you propose to pay for the maximum space used. Then you would have a great deal of dead space in every car, would you not?

Mr. STEWART. No. We would pay for the space that we authorize.

Mr. LLOYD. In order to get at the question of authorization, you would determine about how much mail was carried from day to day, and you would direct them to furnish from time to time a certain car—60 feet, full R. P. O. car, and a 60-foot car. Now, that is the terminal arrangement every day, starting out at the same time, and you suppose they must furnish that 60-foot car, yet you may not fill it half of the time.

Mr. STEWART. The probabilities are we would have need for all that space if we authorized it. We would take into consideration not only the need for distribution, which we now do, but how we could use the rest of that car for storage or for baggage mail, and we would attempt to utilize all of the space.

Mr. LLOYD. If you had a full 60-foot car which you had ordered, what objection would there be under this proposed bill to using part of it for storage?

Mr. STEWART. None. That is what I am saying. We would combine the space needed for distribution purposes and that needed for the other purposes in one car where we could. We can not do that now and pay for all the space occupied, for the additional pay for space is allowable under the law only for space needed for distribution purposes.

Mr. LLOYD. According to your plan, suppose that you would order in a given place a regular 60-foot R. P. O. car, and that is the only car you would need on that particular line for that particular train, and it turned out that during certain periods of the year when there was an excessive amount of mail that you had an overflow; what would you do with that?

Mr. STEWART. We would have to authorize that additional space during the time that we needed it. Under this bill we can authorize from time to time additional space. That is one of the advantages of the bill—it makes authorization conform to the conditions existing in the service.

Mr. LLOYD. How do the railroad companies prepare for these emergencies? Suppose you order a 60-foot car on the line I am speaking of and it turns out to be during the Christmas time, which is a busy time with all the railroad companies, and you demand two cars?

Mr. STEWART. They would put on an extra car.

Mr. LLOYD. They would not have it to put on.

Mr. STEWART. They meet that same necessity now, and we pay under the present plan for the additional authorization.

Mr. LLOYD. Do you know what becomes of that car during the rest of the year?

Mr. STEWART. I could not say. The cars in reserve are probably utilized, and cars are doubled back on their runs with shorter layovers at terminals.

Mr. LLOYD. That is a very important thing to determine. If it is true that you make a demand for a car for one month in the year that is not used during the other 11 months, and it can not be used during the other 11 months, then that is a matter which ought to be considered.

Mr. STEWART. There are a number of cars in reserve.

Mr. SCOTT. We build standard cars on the Pennsylvania system 70 feet long. If the Post Office Department authorizes a car 60 feet long during the winter months and in the summer months, when the business becomes light, when the mail becomes light, they would say we only need a 40 or a 50 foot car, the car is not a collapsible sort of a thing, and we can not change it, because the framing of the car is such that we can not change it.

Mr. LLOYD. You do that like you do with your freight. There are some times when you utilize all of your cars in handling the freight, and other times when you will not use them all.

Mr. SCOTT. We are put to our wits end to find cars to handle the business during the busy season. We had a lot of old cars that were going to the scrap heap, but the Post Office Department allowed us to use them in an emergency.

Mr. LLOYD. Do you not have empty movement in freight cars?

Mr. SCOTT. Of course, but that is considered in the rate.

Mr. LLOYD. You do not take into consideration the cars that are held in reserve?

Mr. SCOTT. We know what our empty freight car movements are during the year, that is, a certain percentage of the total movement, and the freight car also has a minimum load, which the postal car does not. I do not see how we can have two or three different types of cars, it would be an enormously expensive thing for us to build cars that cost anywhere from $9,000 to $12,000 and have to hold them in reserve.

Mr. LLOYD. Is there any necessity for having these provisions of 10, 15, 20, 25, and 30 foot apartment cars?

Mr. SCOTT. I have been trying to get a standard car for a good while; that is, a standard apartment and a standard full car.

Mr. LLOYD. Suppose you have a space basis, then the Government would have to pay for the full 30 feet whether they used 10 feet or 15 feet.

Mr. SCOTT. It seems to me the thing to do would be to fix a standard, as you suggest, at 15 feet and 30 feet, and pay a higher relative rate for 15 feet than for 30 feet. We had a case on our line where a 60-foot car was authorized in one direction and an apartment car in the other. We had to either haul both of those cars over the road empty one way, or we had to allow a 60-foot car going east to be used as an apartment car. That is what we did during the weighing and the Post Office Department got the benefit of it.

Mr. LLOYD. This suggested bill would remedy that, because you would get paid for the maximum use both ways. In other words, you would get paid for the greatest space used each way.

Mr. SCOTT. But that is subject to change, as I understood Mr. Stewart to say, for the fluctuations of traffic, and then we would be where we are now, a 40-foot car one way and a 60-foot car another.

The CHAIRMAN. Your authorization is for a round-trip compensation?

Mr. STEWART. You do not understand me. I do not think the application of this law would subject the company to any such fluctuations. The pay under it for cars would be the same in each direction of a round trip.

Mr. LLOYD. That is a very essential point to come out.

Mr. SCOTT. Would the authority be for the year; for instance, would you authorize a 60-foot car to be run for the year?

Mr. STEWART. No. For such times as the needs of the service would require that space. You do not mean to say the mails will fluctuate on the Pennsylvania road from month to month to such an extent as to reduce a 60-foot car to a 40-foot car?

Mr. SCOTT. I do not know.

Mr. MACK. There are very great fluctuations in mail from day to day and from week to week and from one part of a month to another. For instance, during the latter part of the month when the periodicals are running the volume of space is much greater. If for the maximum needed during the month we had a 40-foot car authorization, there are plenty of days when the 60-foot car would be used to its capacity.

Mr. STEWART. You know the periodical mail is carried largely in the storage cars and worked in terminals?

Mr. MACK. Only on trunk lines.

The CHAIRMAN. Suppose your authorization holds for a month. Would that interfere with administration and would it not equalize and adjust itself if it were over the ordinary peak?

Mr. STEWART. I do not say there are no conditions in the service when the mails would fluctuate so as to necessitate changes by the month, but at present it is only during the Christmas season that we call upon the companies to furnish extra equipment to carry and handle the extraordinary amount of mails.

Mr. LLOYD. That is getting at a very, very, important point, if it is true you can make an authorization that will run through the year except, perhaps at the Christmas period, and at that time you will ask for additional space only during the Christmas period, no harm will result to the railroad companies.

Mr. STEWART. No. But I do not think it wise to tie the department up for a year's authorization.

Mr. LLOYD. You have had practical experience. Your idea, as I understand you now, is that the authorization ordinarily would not be changed during the year except at the Christmas period.

Mr. STEWART. I would not say during the year, but it would not be changed from month to month. The changes in the service occur very much less frequently than that. There would have to be some remarkable change in the service to cause changes in the car authorizations. The mails gradually grow and on the big trunk lines the authorization of space would gradually grow. You would reach the time on a particular train when you would need more space, and we would authorize it and that authorization would possibly continue for some time before any change would be made. Suppose some changes in schedules should occur, or some other reason which would result in diversion of a large amount of mail. That would result in a radical change, perhaps, in the authorization and we might take off a 40-foot or a 50-foot car, or it might reduce a 60-foot car to a 40-foot car.

The CHAIRMAN. What would be the objection to having the law specify that any authorization should hold through a period of months?

Mr. STEWART. The objection is, I think, that it is wholly unnecessary.

The CHAIRMAN. Then, if it is unnecessary, certainly no hardship can be done, but there should be something definite in the law so that the transportation companies could know exactly what they had to comply with and what you might expect.

Mr. BRADLEY. Is there not an analogy in the practice of the First Assistant Postmaster General when he makes leases for post-office buildings and post-office space for a term of 5 years or for a term of 10 years? He must take into consideration the growth of the business under those circumstances. It might be held against him that if he made a suitable provision for the growth of the business he was wasting the Government's money in hiring to-day more space than he was going to need next year, because he was including a view of next year's necessities.

The CHAIRMAN. These are slight analogies, but not complete ones, because in certain localities the postmaster is accustomed to making arrangements.

Senator WEEKS. I do not understand Mr. Lloyd is talking about the growth of business, but the irregularity.

Mr. LLOYD. That is it exactly. You can readily see the fear of the railroads, that is what I term it—the fear of the railroads. They have the idea, for example, if the mail is heavy in March, which is in the springtime, that they might make an authorization then, when in June, when the mail is not so heavy, they would change the 60-foot car to a 40-foot car, change the authorization of 30-foot in the apartment to 15 feet and carry the change during a period when there is not so much mail carried. That is the thing they object to, the probable effect in the space to be used during different times in the year. Is not that the fear?

Mr. SCOTT. Yes; that is the fear.

Mr. MACK. A minimum authorization with maximum use.

Mr. STEWART. I think that is without any foundation for this reason: That the present practice is to give 30 days' notice before we discontinue a line or change an authorization. We now give the company 30 days' notice.

The CHAIRMAN. Then there could be no objection whatever to having the law specify that an authorization when made was to hold good for 30 days?

Mr. STEWART. Except, as I say, it might be unnecessary.

Mr. BALDWIN. Under the present law it applies to only 10 per cent of our pay, but when you base the whole pay on the space, the department multiplies——

Mr. STEWART. I am glad Mr. Baldwin brings that out, because it gives me an opportunity to correct the idea that the full-car service represents 10 per cent of the space. That 10 per cent is the pay. The full cars represent, I think, about 46 per cent of the service now and authorizations of full cars now control 46 per cent of the service and not 10 per cent.

Mr. MACK. It is additional pay.

Mr. STEWART. That is for additional pay. If we go on the basis of this bill, the apartment cars, which are now authorized, in a sense, would be authorized formally instead of being authorized as they are now, and that, together with the full R. P. O. cars, represents about 86 per cent of the entire service. So that we are now practically upon a space basis so far as the authorization is concerned. It would be a very slight transition from the old to the new system.

Mr. MACK. But not as to pay?

Mr. STEWART. Pay would be based on space.

Mr. MACK. Ninety per cent of our pay depends on weight and is fixed by the volume of mail handled. The 10 per cent of pay represents the greater amount of space, which, as you described, is not fixed on the amount of space used, but it is additional pay allowed in consideration of the facilities furnished in connection with handling the mail in full cars, because the transportation rate is based primarily upon the fact that the load in the postal car will not pay adequately for the haul of the car.

Mr. STEWART. That covers the field of authorization to which you gentlemen have so frequently referred. It is 46 per cent of the service now.

Mr. MACK. We have been very careful throughout, I think, to say 10 per cent of the pay.

Mr. STEWART. You do not say either service or pay, but leave the inference to be drawn that it is service.

Mr. MACK. We do not desire to mislead in that respect. We think that 10 per cent of the pay is certainly about all that ought to be dependent on the judgment and opinion of the officers in the service.

The CHAIRMAN. There is a question I would like to ask you gentlemen while you are here, and that is, supposing that three units were adopted, the R. P. O. 60-foot car, 30-foot apartment car, and a storage car, do you agree with the department that there is a difference in cost of service and that there should be a resultant difference in the compensation, the department suggesting in its plan a reduction of 5 per cent on the cost to the Government on the apartment car from an R. P. O. car and a reduction of 10 per cent on the storage car over an R. P. O. car. What would you gentlemen have to say in reference to the department's position on those particulars?

Mr. MACK. That there should be less pay for the apartment car.

The CHAIRMAN. Less relative pay?

Mr. MACK. I have pointed out in my statement the very strongest reasons why it should be higher rather than lower.

The CHAIRMAN. How about the storage car?

Mr. MACK. Well, there is no storage car considered under 40 feet.

The CHAIRMAN. But the storage car will be considered, or is considered under the suggested plan of the department and the rate of 18 cents per car mile, as against 20 cents per R. P. O. car mile, the full rate for a 60-foot car?

Mr. MACK. We do not think any of these rates are adequate, but as to differential rates——

The CHAIRMAN. The differentiation of rates; entirely apply your comments to that.

Mr. MACK. There would be some less care in the maintenance, the cleaning, and some little less expense in the lighting in the storage

car. There is no question about that; but just what that would be, I do not know.

Mr. PETERS. Do you think there should be any less rate per car mile on the storage cars with full loads than on R. P. O. cars that haul two or three tons?

Mr. MACK. For hauling, no; I do not.

Mr. PETERS. Ought there be any difference? Your storage car hauls full weight, yet your R. P. O. car hauls the postal clerk?

Mr. MACK. I did not get the point. Those features that I was describing were largely covered in the proposed initial charge, cleaning, and lighting.

The CHAIRMAN. I mean in the transportation?

Mr. MACK. In the transportation I can see no difference, certainly for not any less rate, for the value to the Government would be greater in the storage than in the full postal car. The storage car would transport 15 or 20 tons, as compared with the postal car probably transporting two and one-half tons, so that the storage car would furnish the most valuable service to the department in the way of transportation.

The CHAIRMAN. On the car-mile basis?

Mr. MACK. Yes, sir.

Dr. LORENZ. In spite of the heavier load of a storage car, would not the gross weight of the car and contents together be less than the gross weight of the R. P. O. car?

Mr. MACK. The gross weight?

Dr. LORENZ. Yes.

Mr. MACK. No.

Dr. LORENZ. What is the tare weight of the storage car?

Mr. MACK. I do not think there would be much difference in the weight of the cars themselves.

Mr. SCOTT. A 70-foot R. P. O. car weighs from 120,000 to 125,000 pounds. A 60-foot storage car runs about 100,000 pounds; that is, 50 tons in one case and 62½ in the other. The load in the storage car would raise the weight of the storage car to almost the load of the working car with the light tonnage in it. The expense to the railroad company is energy expended in hauling the cars and weight over the road, and it costs us just as much to haul a storage car with a heavy weight as it would a working car with less weight. The only difference would be in the cost of lighting, as there would not be any difference in the heating, because they are both heated by steam.

Mr. STEWART. They would not be heated, lighted, or cleaned in the same way. One is fitted with sanitary appliances, the other is not. Neither would there be the amount of service performed by the company en route between terminals, as the greater part of the storage mails are undisturbed until they reach destination and require no intermediate handling.

Mr. SCOTT. Are you not distributing parcel post in storage cars to-day?

Mr. STEWART. That is not the point I am speaking of. I am speaking of the service the company renders the Government.

Mr. LLOYD. I am afraid you do not understand it. He is saying you now require them to make some distribution in the storage car and that they are actually distributing the mails in the storage car.

Mr. STEWART. I am referring to the service performed en route in the handling of mail at stations by railroad men.

Mr. SCOTT. I am getting at the revenue to the company for the hauling of those two cars and the relative cost of hauling them, and I say there is practically no difference.

Mr. STEWART. You certainly give us a very different service in the case of the storage cars. You simply haul the car from one large terminal to another, with a limited amount of intermediate handling of mail.

Mr. PETERS. But we haul the large quantity of mail; we perform the transportation service; in the other you get the distribution service.

Mr. STEWART. But Dr. Lorenz has called attention to the question of weight which, according to Dr. Scott, seems to about balance. Now, I call attention to the other conditions, the difference in fitting up and furnishing the car, in lighting, heating, and cleaning it, and putting in sanitary appliances, and of the service the company gives from one terminal point to another. All of these services are different in the case of a full car from those rendered in the case of an apartment car.

The CHAIRMAN. Would there be any difference in the cost of cleaning?

Mr. STEWART. Yes.

The CHAIRMAN. I should think it would cost just as much to clean a storage car as an R. P. O. car.

Mr. STEWART. No; the requirements are not so exacting. The statute requires the full cars to be regularly and thoroughly cleaned, and says that no payment shall be made for such service unless this is done.

Mr. MACK. The storage cars have to be cleaned.

Mr. STEWART. Yes; but not in the same way as the full cars.

Mr. MACK. They have to have closet arrangements. All baggage cars are equipped with toilet facilities. As to the cleaning, I do not think there is much difference in the cost.

Mr. MCBRIDE. Storage mail cars have no closet arrangements. There are not as many windows in a storage car as in a mail car, nor is the amount of cleaning necessary, because it consists in simply sweeping the floors in the storage cars, while the floors, racks, side walls, etc., of the mail car have to be cleaned.

Mr. PETERS. They are getting away from the transportation service the railroads perform. It is the hauling of the mails.

The CHAIRMAN. What percentage of your cost is the hauling cost and what percentage of your cost, according to your methods of calculations or accounting, is your cost for lighting and cleaning?

Mr. SCOTT. I do not believe I could tell you that off-hand.

Mr. STEWART. The companies have submitted some very specific figures on the cost of cleaning, etc., which are published in volume No. 6.

Mr. MACK. A great many of these charges would be the same—inspection and maintenance of the car and trucks.

Mr. SEARLE. General Stewart referred to the question of storage cars as a purely haulage question; that the cars were loaded at terminals and hauled to the destination without breaking the bulk or breaking the contents. That is not correct in every instance. We have instances where the bulk is broken at three points; and there is another instance, with which I am familiar, where the mail is taken

from the storage car at four different points. For instance, in connection with this I want to make this observation: Here is a car that is a storage car which is loaded with 10 tons of mail, for which they pay 12 cents per ton. That car is unloaded at a point 200 miles distant and 4 tons of the mail are taken out there at a junction point. At a point 200 miles farther a couple of more tons are unloaded, with the result that when it arrives at the terminal of the route there is only a ton left in there. There does not appear to be any provision for that loading or unloading—a rate for the 9 tons which have been dispatched at intermediate points—and that is of frequent occurrence, I am inclined to think, out in our section.

Mr. MACK. While the bill provides for a maximum in both directions, it does not provide for a maximum over a natural operating run of the car. For instance, a car starts out loaded and goes to the end of the line with only a ton left. In that case we would have great difficulty in having it understood that we ought to be paid for that car as far as we have to haul it.

The CHAIRMAN. You are paid for the car on the car-mile basis for the distance the car travels, and you would be paid for the tonnage that was put on. If 10 tons went on you would get 12 cents a ton, and if only 1 ton was delivered at the ultimate destination and only 9 tons delivered at the intermediate point, you would still get your 12 cents unloading for each of the 9 tons.

Mr. MACK. No; not under the bill.

Mr. STEWART. The mail would be weighed at each terminal.

The CHAIRMAN. Then that is a weakness, it seems to me, in the bill.

Mr. STEWART. I think not.

The CHAIRMAN. It seems to me it is a weakness in the bill if you only allow one payment, namely, the loading payment on 80 per cent of the business and double payment on 10 per cent in the case mentioned.

Mr. STEWART. Such compensation as is represented by the other service is covered by the line rates; that is the idea. It would be wholly impracticable to weigh mails on and off and fix loading charges at different intermediate points. They can only be fixed at the ends of the route.

Mr. BALDWIN. Then the Post Office Department has the absolute control of stating a route. Suppose they stated a route on the Santa Fe, say from Chicago to San Francisco, and on the Great Northern from St. Paul to Seattle. Then there would be nothing paid for any loading or unloading charge except at the initial point and the terminal point and nothing for all that intermediate route.

Mr. STEWART. The line rates would cover all of that service.

The CHAIRMAN. Then why have any loading charge at all, but make everything a line rate?

Mr. STEWART. I have never been particularly favorable to the loading charge otherwise than for this reason, that it is a concession to the short line; it serves to equalize the pay between long and short lines. It is not so very material to the large lines on the long routes, and if it were not for the fact that there are so many short hauls, it would be better, I think, to include the loading charge and the constant terminal charge with the one line charge; but the great advantage of having separate terminal and loading charges is that it

tends to equalize the pay to the short lines and the short routes, and it does that very well.

The CHAIRMAN. Why would not this be more equitable: If you were to have an unloading charge which would be 24 cents a ton, you provide first for loading and unloading the mail at a rate which shall not exceed 12 cents per ton—that is, for loading maximum, and 12 cents per ton for unloading.

Mr. BALDWIN. Does it say so?

The CHAIRMAN. It says for loading and unloading the mails it shall not exceed 12 cents per ton.

Mr. BALDWIN. That is both loading and unloading. That is what it says.

The CHAIRMAN. What would be the objection to saying for loading and unloading the mails the aggregate shall not be more than 24 cents a ton?

Mr. STEWART. Under the bill as it is now drafted we would ascertain the loading charge at the initial terminal and the unloading charge at the other terminal. We would adjust each case by considering them both together and fixing one rate.

Mr. PETERS. Would it not be the one charge for the unloading end? If you have the one total put on all the loads that went into that car when it started, you would make no charge on account of labor when it gets to its terminal. The next car that starts at that point would take the mail and get full pay for loading and nothing for unloading. I think that was the point the chairman was trying to bring out. At the last meeting, Mr. Chairman, it was suggested that General Stewart should submit at this hearing some statements worked up to show the effect on many lines of this proposed method. He gave us one or two statements at that time, but I think he was asked to pick out some more typical routes to show what effect it would have compared with the present basis and this new basis.

The CHAIRMAN. Were you able to prepare those, General Stewart?

Mr. LLOYD. I supposed General Stewart would give that in his general statement. He will make a statement when you get through.

Mr. MACK. Before we get away from the point which Mr. Searle referred to, initial and terminal charge, I want to put in one remark. What I was drawing attention to was the fact that while the proposed plan provides for a maximum authorization in both directions, or a rate in both directions based upon the maximum requirement, it does not fix what that maximum requirement is going to be, nor how far that maximum requirement is going to go. For instance, we will take a car that leaves St. Louis fully loaded; when that car gets to Little Rock half of the load is out, when it gets to Texarkana there is very little left, and there would be an immediate controversy as to whether we will be paid on that car on the basis of the maximum load outbound as far as the car goes. We have cases like this in the postal car service. We have a 60-foot car that goes all the way from St. Louis to San Antonio and it is paid for at the rate of 60 feet to Texarkana and from Texarkana to Longview it is paid for at either 40 or 50 feet, and from Longview it is paid for at 60 feet. That is a postal car, but it indicates the possibility with regard to both storage and postal cars, as to whether the actual car we are required to use will be paid for on the maximum basis for the natural operating run of the car. We can not

shift from a 60 to 50-foot car and from 50 to 40 as we go down the line, so the bill does not cover a very essential feature of that kind on a space basis, because, undoubtedly, we would have a great deal of controversy about that.

I would be glad to know what General Stewart's idea would be in instances of that character, also with regard to the overflow space in baggage cars on passenger trains which have a full R. P. O. car. The rate fluctuates not only day by day but as the car goes over the road; sometimes the load increases between points as well as diminishes, and in fixing space, how are we going to find out what that would be? We have a car in which the Government can expand according to the volume of the mail handled, and we can not give them 6 feet authorized and throw the rest of the mail out. That is one of the great advantages of the plan of to-day, the Government is not restricted in the use of all the train service of the country, but it is on a weight basis, and if you have service on a space basis which implies reservation and limitation, you can not expect to exceed it with your overflow mails, neither can you expect to have space unless you pay for the maximum which you will use.

Mr. STEWART. There would be no essential difference between the new plan and the old plan in that respect. Mr. Mack speaks of the fluctuations in the service and the fact that he thinks they would not get paid under the space basis for fluctuations which occur. They do not get paid to-day upon the weight basis for fluctuations in service during the term.

Mr. MACK. Yes we do.

Mr. STEWART. The mails are weighed once in four years and the fluctuations occur many times during the four years, but pay is not reduced or increased for that. You get the full pay you start with for the four years.

Mr. MACK. We can not accept that view. That may be your view of the matter.

Mr. STEWART. I am going to supplement it in a few days with additional evidence which I hope will convince you.

Mr. LLOYD. What would be the objection to providing for an initial charge and not for a terminal charge in the matter of loading and unloading? In other words it provides for loading and makes a charge of 20 cents for loading and half that charge for unloading. That is on the theory that every pound of mail that starts will have to be unloaded, and they will get paid for it.

Mr. SCOTT. The trouble about that is this: That westbound we would have a heavy load in our cars to start out with; but east bound we would have a light load.

Mr. LLOYD. It is equalized. You have a heavy charge going one way and a light charge going the other.

Mr. MACK. I can do better than that. Mr. Scott would get all the money on through storage car that we carry. We would unload it at Kansas City without getting any money and it would come back empty.

The CHAIRMAN. The bill proposes that loading and unloading shall not exceed 12 cents per ton. The intention is that there shall be a payment for each activity.

Mr. STEWART. Yes.

The CHAIRMAN. For the loading of every ton and the unloading of every ton.

Mr. STEWART. Yes; at the terminals.

Mr. SEARLE. It costs just as much to unload at intermediate points as it does at the terminal.

The CHAIRMAN. I did not so understand the bill. I thought it was a maximum of 12 cents for loading and a maximum of 12 cents for unloading, wherever it was unloaded.

Mr. MACK. It would not multiply on the weight. What difference does it make whether you pay for unloading at Little Rock on our line or at Texarkana? We start out with 10,000 pounds and unload 5,000 at Little Rock and 5,000 at Texarkana. Why not pay for what we unload at Little Rock as well as at Texarkana?

Mr. SEARLE. Another feature with regard to that is that we have a storage car that starts out with 10 tons, and a good portion of that is unloaded at a junction point; then, in addition to that, it is unloaded at the junction point and there is a quantity that has to be unloaded from the storage car and put into the working car on the same train for distribution purposes. Why should not that participate in the loading and unloading?

Mr. MACK. Just the same as at the terminal.

Mr. STEWART. Because it is amply covered in the line charge.

The CHAIRMAN. If the line charge amply covers part, I do not see why it should not cover all and eliminate the loading charge.

Mr. STEWART. It would if we had routes of uniform length. As I said, it furnishes that natural and proper declension in the rate between the short line and the long line. The loading charge on the short line will raise the line rate very materially. It provides the declension in rate which occurs in ordinary rate making, as suggested by Dr. Lorenz's draft. I was not at first in favor of the loading charge.

Dr. LORENZ. May I supplement what Gen. Stewart has just said? It is true that I suggested in my draft the separation between line charge and terminal charge, but I suggested something in the line charge which Gen. Stewart has rejected, namely, that that line charge should increase as the weight of the mails on that line increased, on the assumption that the increased weights of mail occasion not merely additional handling at terminals but also occasional rehandling en route, and even though the weight might be small, compared with the total weight carried, and might not affect the locomotives, nevertheless there would be more work on the route with the heavy mail, as compared with the route in light mail, and therefore the line charge itself should increase with the increased weight of mail as well as the terminal charge.

General Stewart has followed my suggestion with respect to the terminal charge, but not with respect to the line charge, and I think that it would be very helpful indeed if the railroad representatives here present could express an opinion as to whether the weight should be rejected altogther, proceeding upon the assumption which Mr. Lloyd suggested in this discussion, if the space basis is to be adopted at all, whether in that case we should have simply one charge at the terminal, say $3.50, and one charge on the line, say 20 or 21 cents, or whether both the terminal charge and the line charge should be affected by the weight. In other words, does it appeal to them as

reasonable that if there is one line in which the average post-office car carries 1 ton of mail, another line in which the average R. P. O. car carries 2 tons of mail, whether both of those lines should receive the same rate per car mile, or whether one line should not receive a greater rate per car mile because of its increasing weight of mail. Before I leave that particular subject I wish to emphasize one point which General Stewart made, which appears to be very important, and that is in regard to the controversy as to what the terminal rate should be. In reality it is not a controversy between the Post Office Department and the railroads, but a controversy between the long lines and the short lines solely. To make this perfectly clear, let us assume that the average rate is 22½ cents per car mile.

Suppose the average run is 200 miles; your payment for that line would be $45. If you take out $3 of that for terminal charges, you have $42 left for the line charge; if you take $5 of that for the terminal charge, you have left only $40 for the line charge and, obviously, if your total payment is to be a specified sum, because you are proceeding on average earnings and average costs per car mile, it is totally a matter of indifference to the Post Office Department whether they pay $5 or even $10 for the terminal charge, providing you reduce the line charge correspondingly, so that the combined charge will be the rate you want it to be—20, 22½, or 25 cents. So that I should think that the Post Office Department would be open to any suggestion as to changing the terminal rate; that they would gladly make it $5 if the railroads would like to have it $5. The rate suggested, $3.50 for a terminal charge, makes a difference in rate of long hauls and short hauls of from about 30 cents for the short haul of 30 miles, down to about 20 cents for the long haul, and the sole question is whether that is a reasonable variation for the different lengths of haul.

The CHAIRMAN. I want to thank Dr. Lorenz for making the suggestion he has made, and to ask the gentlemen representing the railroads if they can throw any light on the question he has propounded.

Mr. SAFFORD. The remarks that Dr. Lorenz just made bring to my mind a suggestion I made when we were here at the last meeting, but which occurred in our informal talk so that it did not get into the record. I do not think that any space basis for mail pay, adjusted on a flat rate for space, that limits the earning capacity of the railroad facilities by law, is in accordance with any known traffic principle or that it is economically sound.

We carry passengers for, say, 2 cents a mile, and we carry freight for so much a hundred pounds, but nobody tells us how many passengers we shall put in a car or how many tons we shall haul in a freight car. They do not limit the earning capacity of the facility. The proposition to do that not only disregards the value of the service performed, but it also absolutely fails to recognize the element of efficiency, and in every human activity the element of efficiency is the key to success.

Mr. LLOYD. If you did not have a sufficient number of passengers in a coach to make it compensatory for you to carry the passengers, you would certainly discontinue the carrying of it.

Mr. SAFFORD. We would discontinue the train or cut out some of the facilities.

Mr. LLOYD. And if it turned out that there was not enough freight for the freight charge that you were making, you would increase the freight charge.

Mr. SAFFORD. Or we would not run the train.

Mr. LLOYD. Then you are doing the very thing in a different way that the Post Office Department is seeking to do.

Mr. SAFFORD. The difference is simply this: That when you pass a law it puts us in a position where we must accept the terms because public policy requires us to carry the mail and we have no voice as to whether we can afford to do it for the rate or not. There is no element of contract or meeting of the minds or anything of that sort in a rate fixed by law, and there is no element of justice in a law that absolutely limits the earning capacity of any organization or any person. That is my fundamental objection to a space basis, and I think it is vital. I think that Dr. Lorenz will confirm the statement that no railroad facility is limited as to its earning. You would not fix a rate for freight on the average earnings per freight car?

Dr. LORENZ. There are several railroads, having representatives present to-day, which have in force at the Interstate Commerce Commission a tariff which provides that a special baggage car loaded and not accompanied by persons will be carried at the rate of 25 cents per car-mile for 500 miles and for a distance over 625 miles at 20 cents per car-mile irrespective of what is in the car.

Mr. SAFFORD. In that case the railroad adjusts the compensation to its operating conditions, having in view the fares of the passengers to whom the baggage belongs, to be collected on some other train, as part of the consideration. In the other case the Post Office Department adjusts the operating conditions to its own will or its own necessity.

Mr. STEWART. Suppose it was shown that the rates which the Post Office Department are suggesting are as high, or higher, than the rates for like space and service that the railroad companies themselves by contract receive for express service. Then what would you say?

Mr. SAFFORD. I would say that in either case the railroad companies should have an opportunity to say whether the service is desirable or not; but I do not believe, as a rule, it can be proven that the mail rate is higher than the express rate. To start with, the two services are not comparable. It is worth very much more to carry mail than it is express.

The CHAIRMAN. Do you mean the cost is very much more?

Mr. SAFFORD. I mean to say we have much more service to perform, much more duty, trouble, and annoyance. Practically all that a railroad does in the express business is to haul the car in which the express matter is loaded; it has no responsibility for the express messengers—their personal safety; it has no responsibility for the traffic. The express company is responsible for all loss and damage and personal injury and everything of that sort. They solicit the business, collect the business, load it on the cars, and when it gets to the destination they take it off the cars, and we do not touch it.

The CHAIRMAN. You do not solicit the Government mail business?

Mr. SAFFORD. Certainly not. But we handle it, and we perform a thousand services for the Government that we do not perform for

the express people. We furnish a specially equipped car exclusively for the Government that we do not furnish for the express people; we take care of all the side and terminal services; with the mail we are responsible not only for the safety of the business but for the safety of the people in the car that go with it—six, seven, or eight people sometimes.

Mr. STEWART. Under the proposed plan side and terminal services are eliminated. That is one of the differences between the express and the mail service as performed by the railroad companies. I grant that there are other differences. I am going to submit to the commission a comparison between express rates and mail rates, and, then, of course, it will be incumbent upon the representatives of the railroads to point out the differences that exist, if there are any differences, between the services that would be performed under this bill for the Government and the services performed for the express companies.

Mr. MACK. With regard to relief from side and messenger service, it ought to be clear that at the local station the handling is done by the express company's employees. In other words, they pay the station agent or their own people for the handling at the station as well, whereas we handle mail at stations as well as handle side and terminal service.

Mr. STEWART. Under the proposed bill you will not have to perform the latter.

Mr. MACK. But under this bill we would have to handle at all stations.

Mr. STEWART. What handling?

Mr. MACK. At all stations; the loading and unloading at all of our stations.

Mr. STEWART. The handling until it reaches the postal employee, the mail messenger, would continue to be performed by the company.

Mr. MACK. Is it your purpose to have messengers load and unload directly at the car?

Mr. STEWART. There would be services at the station proper that would not be performed by the mail mesenger.

Mr. MACK. I say with regard to the express service we do not even do that. I wanted to bring that out.

Mr. PETERS. But, General Stewart, you make a reduction of 5 per cent from the present weight basis of pay to give you funds to pay for this terminal service. Your recommendation is that you would pay only 95 per cent, cutting off 5 per cent in consideration of your reducing the cost to the railroads of that service.

Mr. STEWART. You are assuming that it would cost the railroads generally 5 per cent. Is that your idea?

Mr. PETERS. Yes. And also the special one with reference to closed-pouch service. I think your Document No. 8 specified that.

Mr. STEWART. I am not expecting that the railway mail pay committee are prepared to point out all the differences in the services they perform for the express companies and all the duties they perform for the Government under this bill. I am prepared to say now that I am going to file with the joint committee very soon a statement showing a comparison between the amounts the railroads are now receiving for performing express service and the amounts they are receiving for performing the mail service. Then, I say, it will be

incumbent upon the representatives of the railroads to point out the differences in the services they perform for each.

Mr. BRADLEY. Will that statement apply to all the railroads of the country?

Mr. STEWART. Yes, sir; as a whole.

Mr. BRADLEY. I would like to call the chairman's attention to the fact that we have filed a statement during one of the earlier hearings showing the incidental service performed for the express companies as compared with the service rendered the Post Office Department.

Mr. LLOYD. But you did not show what you were receiving for it.

Mr. MACK. I think that the figures that have been submitted on the space basis show the relative earnings of space. I can tell you offhand that it is $3.86 per thousand car-foot mile.

Mr. LLOYD. He is going to be able to show what you are going to get or actually receiving for carrying the express between certain points. He will show what you receive for carrying the mail also between those points.

Mr. STEWART. I will also show a comparison between the total receipts of the railroads from the express business and the total receipts from the mail service.

Mr. SCOTT. Is that on the present basis or the proposed basis?

Mr. STEWART. On the existing conditions.

Mr. BALDWIN. Express is on a partnership basis?

Mr. STEWART. Yes; I understand that.

Mr. BALDWIN. Did we not report that in our answers to you on which Document 105 was based, and did we not report that in detail for express and mail?

Mr. STEWART. I think you did, in some of the statistics.

Mr. MACK. How recent are these figures, may I ask?

Mr. STEWART. They are up to date.

Mr. MACK. You apply those to the express rates?

Mr. STEWART. Yes.

Mr. MACK. The application under the new express rate should not be considered a voluntary proposition on the part of the railroad companies, so far as they are concerned, and it should be understood that those express rates are on trial as experimental for two years, I believe.

Mr. STEWART. We will also show it on the rates before they were reduced.

Mr. PEABODY. Will it be submitted on a tonnage basis?

Mr. STEWART. Yes.

Mr. SEARLE. If the gentleman intimated that he was going to produce figures showing we were getting more for the mail than the express, I presume if he uses your figures for compensation he would do it the same as I do with the express; that is, we get a certain percentage of all the business secured, and we would naturally want a percentage they have of the Post Office Department.

Mr. LLOYD. The theory is this: If you went into a voluntary contract with a private corporation to transport their goods, you certainly ought to be willing to carry the mail on about the same basis of pay.

Mr. SEARLE. Yes; but without the limitation the Government puts on us.

The CHAIRMAN. Are any of you gentlemen going to submit any further remarks in regard to Dr. Lorenz's suggestion of a few moments ago?

Mr. BRADLEY. I would suggest that Dr. Lorenz's bill, or proposed law, takes cognizance of the fact, that there is an additional value of service rendered in the increased tonnage carried per car. It is true that his allowances in that direction are very, very small—they average, I think, about three-tenths of 1 cent per ton per mile; however, it was in the right direction, according to our view. The Post Office Department, in their proposed law, gives no consideration to that. It does not seem to me that an initial and a terminal charge is a very important contribution to the settlement of this question, because it introduces a great many additional complications.

However, Dr. Lorenz's suggestions bring us back to a discussion that was not completed earlier this afternoon, as to the difference in the value of services between an R. P. O. car and a storage car. It has occurred to me to suggest that if the department's figures are accepted, that the average load of a railway post-office car is about 3 tons and the average load of a storage car is about 7 tons; then, remembering that the principal service which the railroads perform for the Post Office Department is the transportation of its tonnage, it might be roughly assumed that the storage car represented twice the service that the postal car does. However, that would have to be modified by the fact that the department, within the postal car, distributes the mails en route and so gets some additional advantage. I do not think, however, that that additional advantage would offset the difference in 3 tons in the service rendered by the railroads to the Post Office Department. Therefore, it would seem to be to me that the service rendered is about equally represented, whether in the R. P. O. car or in the storage car.

The CHAIRMAN. How about the apartment car? Would it be relatively the same as the R. P. O. car?

Mr. BRADLEY. Relatively the same, except that I think there it would be just to apply the retail principle. When you divide your cars into fractions, even on the suggestion of Congressman Lloyd, 15 feet and 30 feet, there is an economical loss in operating those fractional units in combination with other activities, such as baggage and express. That, I think, should be taken into consideration.

The CHAIRMAN. Taken into consideration in doing what; giving a higher rate relatively.

Mr. BRADLEY. In justifying, I think, a higher rate. When you proceed further and recognize minor distinctions in the allotment of space, as in the department's plan, 10 feet, 15, 20, 25, and 30 feet, you increase the relative necessity for the recognition of higher rates. There was some talk this afternoon in regard to the stability of the rates, and it was suggested that authorization should be made for at least one month. It occurred to me to contrast that with the proposed rates. For instance, at the rate of 18 cents for the 60 feet of mail-apartment car space, we would find that a 25-foot apartment would get 7½ cents per mile, a 20-foot apartment would get 6 cents per running mile. There is a difference of 1½ cents. If it happened to be a short-line route, say, 50 miles long, it would be 75 cents

extra each way per day for the difference between the 20-foot apartment and the 25-foot apartment, or, say, $1.50 a day. Monthly earnings, for that, then, would be $45. If the department should later notify the railroads that it no longer needs 25 feet, but that it only needs 20 feet, the cost of making that alteration in the interior of the car would be an addiional expense plus the loss of mileage rates. If, on the contrary, the department authorized an extension of 5 feet, the cost of the alteration in the car alone would eat up the earnings for a long time to come—that is, the extra earnings.

It seems to me, as a result of all the conferences to-day as well as our previous study of the subject, that the new plan proposed is very much more complicated than the present plan, and that the difficulty with any space plan is more in the administrative treatment of the subject, the inevitable differences between the Post Office Department officials on the one side and the railroad officials on the other; that they would not be able to talk in common language as to what was meant, and that the amount of friction and irritation would be greatly increased without any resulting advantages.

Mr. STEWART. Could I be privileged to ask you when you changed your mind about the space basis?

Mr. BRADLEY. I will be glad to answer that if it is of any interest to the committee. When the Wolcott-Loud commission investigated the question in the year 1900 or thereabouts, it happened that I, as superintendent of the Railway Mail Service at New York, had rather intimate relations with the Wolcott-Loud commission and I prepared a brief relative to Railway Mail Pay which was submitted to the commission, and incidentally in that brief I favored the adoption of a space basis of payment. Of course, I looked upon the question from my viewpoint, as an officer of the postal service. When this subject came up later in 1911, in Document 105, I gave further study to the subject, and about that time I left the Government service and went into the railroad service.

Now, I think that any change in viewpoint tends to broaden the opinion that one has on any subject, and in that case I think my views were broadened. I also learned by a more intimate study of the subject that I had made a mistake previously in assuming that there was a great opportunity for the Post Office Department to economize by controlling its own cars and loading its space to the capacity. When I had, in recent years—within the last two or three—opportunity to test that by study and by working out particular examples, I found it was very largely a delusion. The mail from the initial point, contrary to being a traffic of great stability, varies greatly. I have seen instances where the volume would vary 60 per cent from day to day. The outbound tonnage is much greater than the inbound tonnage, varying in some cases from 60 per cent outbound to 30 per cent inbound. I recall a case of one very important line where it varied from 85 per cent outbound to 15 per cent inbound. Then there is a diminishing load in the car from the initial point going to the terminal point. When you add all those variations together you find that while you have a maximum loading capacity at one place, you can not utilize it at all times, so while I would not say that the department could not practice some economy in its loading, I will offer the opinion that it would be a very small percentage of economy, unless, in regard to the storage carload, it would

undertake through the establishment of terminal railway post offices and by delaying the dispatch of mail to allow it to accumulate in order to get full carloads. That practice would enable them to get some small economies in the storage car space, and yet, according to Document 105, the storage car space is only about 10 per cent of the whole.

The economies that are practiced in regard to the storage space illustrate the attention that is given to cases where the weight of mail can be concentrated, thus attracting the notice of the department and leading to an effort to reduce the earnings of the company in that particular line of traffic without, I think, giving due regard to many of the unremunerative features of the business which the companies are obliged to perform in the full railway post-office cars, in the apartment cars, and sometimes in the closed-pouch service. Those briefly are the reasons why I was led to change my belief, and, in addition to all that, and perhaps what is in Gen. Stewart's mind, is the fact that under the last administration, under a particular pressure, there came to pass an attempted economy in the Railway Mail Service toward cutting down railway post-office space. It was found that in the development of that policy the postal officials, the chief clerks, and division superintendents felt under such compulsion from the criticism of the post-office inspectors that they were obliged to make recommendations for reductions which were contrary to their better judgment. There entered into the service a new measurement of space according to the interior facilities; the department changed its formula to read, not that they needed 40 feet of space, or 50 or 60, but that they needed the *facilities* of a 40-foot car or a 50-foot car, as the case may be. It developed in such a way that the chief clerk would base his estimate of space according to the number of pigeonholes he would need in the letter case. He would say we do not need 5 or 25 pigeonholes, or we do not need but four sections of that rack instead of five; consequently we only need 40 feet instead of 50.

The CHAIRMAN. You would not take out the rack or the four or five pigeonholes.

Mr. BRADLEY. It would not pay the railroad company to take them out. I think that is undue pressure, but space is subject to that sort of supervision which coerces the postal officials against their better judgment, and it seems to me it is not as safe as the plan that has been in use for so many years. Those briefly are the reasons why I have changed my opinion.

Mr. STEWART. I do not want it understood that I question in any way the right of Mr. Bradley to change his views or the sincerity of his position at any time.

The CHAIRMAN. I do not think anyone so inferred that.

Mr. STEWART. I have known Mr. Bradley for many years in the Postal Service as well as during his connection with the railway business since, and I have had the highest regard for him as a postal official, just as I now have for him as a railway official. Knowing, however, that he did hold the position that space was the right basis, and held it so long, and so ably defended it, I asked him if I was privileged to ask the question why he now thinks the weight basis is better. Perhaps he does not remember that when the inquiry was under consideration that he wrote me a very good defense of the space basis. I

did not expect to make any point of this, and do not want to now. I know that Mr. Bradley is sincere in his views.

The CHAIRMAN. Do you not think it is advantageous to us all to get the evolution of his views?

Mr. STEWART. Yes.

Mr. BALDWIN. Before we adjourn I would like to make one inquiry. When we were here the last time the department produced quite a large table of mail routes in which they showed the results of the application of this law. I believe you were not here at the time, Mr. Chairman. A large proportion showed reductions and some showed increases, but when we came to examine the table we found they were all light routes and there were no heavy routes, so we said at once, show us some heavy routes and they said they would. Mr. McBride afterwards came to me and asked for certain information. Now, that was three weeks ago, and I asked Mr. McBride to-day if he had made his calculation with regard to the route, say, from Chicago to Council Bluffs; that is a heavy route and we would like to see that. Mr. McBride said no, that he had not done it. Now, I would like to have them state when we will have an opportunity to see what effect this law has upon that particular route and upon a heavier route.

The CHAIRMAN. Under the suggested plan?

Mr. STEWART. Just one moment before we leave the other subject. I have a matter I would like to mention before going into an entirely different question. I would like to suggest as to the validity of the reasons presented by Mr. Bradley that they appear to be based largely upon the fact that he has come to the conclusion that the Post Office Department can not accomplish any economies under the space basis, such as he formerly believed they would, and therefore while I concede his right to change his views, I think the reasons for his changing them are not very good from the railroad standpoint. Upon this other point I wish to call attention to the fact that the weight of mails carried in a car and discharged along the route at the several post offices, is not a very material element in considering rates, for the reason that mails must be discharged and received at every one of those points, whatever the weight may be. If you have full R. P. O. service or apartment-car service and are supplying 20 offices along the route there will be mail to be discharged and mail to be received at every point regardless of the amount of mail involved, and an increase in the amount of mail may not add an additional pouch at any point. It in most cases simply increases the quantity of mail in those pouches and sacks. Therefore, the question as to the amount of mail carried in a car reduces itself to a very inconsequential element so far as the tonnage is concerned. Therefore, the only other element could be the additional service performed at the station in discharging and receiving the mail and as you have to discharge and receive mails anyway at all of these points, the additional weight makes very little difference in the cost of the service.

Mr. SEARLE. That remark is true with respect to the ordinary railroad R. P. O. car service. We do despatch mail at every station and take on mail at every station, but my remarks are in reply to Mr. Stewart's that the car was loaded intact at the terminal and went intact to destination. I think there is a clear distinction there.

The CHAIRMAN. We will resume this discussion in the morning, if we can, and I would like Gen. Stewart to give the information asked by the gentlemen present, as to when the statement as to the heavy lines, as propounded by Mr. Baldwin and some other gentlemen, will probably be ready. As I understand, the department promised at the last meeting to have it?

Mr. BALDWIN. On February 6, when we were here.

Mr. STEWART. I do not understand the great haste Mr. Baldwin is in. We are now preparing a statement for this committee and I do not think it would be wise to delay that paper to get statistics for Mr. Baldwin.

The CHAIRMAN. I was absent at the last meeting, because I was ill at the time, but I understood the department stated they would be able to furnish that information in a very short time.

Mr. BALDWIN. That is not the whole of it. The department brought in a statement which purported to show certain things and which did relate to light lines, and we said, "Will you show that for the heavy lines," and we asked for certain information. Now, if Gen. Stewart means to say he does not intend to furnish that information, that is one thing. I simply ask him if he will furnish it; and if so, when?

Mr. STEWART. We will furnish it at the very earliest day possible.

The CHAIRMAN. Can you give any day?

Mr. STEWART. No; we can not do that. We are getting this other reply ready now.

The CHAIRMAN. We will now adjourn until 10 o'clock to-morrow morning.

(Thereupon, at 6 o'clock p. m., the hearing adjourned until 10 o'clock a. m., March 17, 1914.)

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TUESDAY, MARCH 17, 1914.

JOINT COMMITTEE ON
SECOND-CLASS MAIL MATTER, ETC.,
*Washington, D. C.*

The hearing was resumed, according to adjournment, at 10 o'clock a. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Senators John H. Bankhead and John W. Weeks, and Representatives James T. Lloyd and William E. Tuttle, jr.

There was present, also, in addition to those noted on the preceding day, Mr. E. F. Blomeyer, vice president and general manager of the Tennessee, Alabama & Georgia Railroad, who was sworn by the chairman.

The CHAIRMAN. As I understand, Mr. Peters, the representatives of the short lines are present and want to be heard with reference to this suggested plan of the department?

Mr. PETERS. That is correct, Mr. Chairman; but before you go into that I would like to have an entry made into the record with regard to a statement of Dr. Lorenz, on yesterday, in regard to a rate that is made by the railroads of 25 cents a mile for a baggage car for 500 miles and for a distance beyond of, say, 20 cents a mile. I would like for Mr. Rowan, who has the tariff giving that rate, to explain how it is made. It is not made as a mercantile rate.

Mr. ROWAN. I telephoned to New York this morning, and found out that that is a rate which is made in connection with theatrical baggage in cases where they do not accompany the baggage, but send the baggage on ahead of them, with Sunday intervening, or something like that.

The CHAIRMAN. That is 25 cents a car-mile?

Mr. ROWAN. Twenty-five cents a car-mile. The same tariff provides a rate of 25 cents a car-mile for empty cars—privately owned cars that are to be transported from one point to another in order to take a load or to go from one road to another.

The CHAIRMAN. Dr. Lorenz, is this information new to you?

Dr. LORENZ. I think it is very well to have this explanation. I did not know anything more than just what the tariff called for. As I understand, it does not contradict the rate, but simply explains that it is made for theatrical companies which send persons on some other train.

The CHAIRMAN. Does that in any way change your conclusion that you drew from the information issued by the Interstate Commerce Commission in making this rate?

Dr. LORENZ. I do not think it especially changes the conclusions, except that it perhaps shows it is not a commercial rate to the same extent that it would be if it were made generally, without being a part of a combination, you might say, in which the persons were transported at regular rates on some other train or in another car.

Mr. ROWAN. The point I wanted to bring out is the fact that this is an exceptional rate and tariff reads in this manner: When unaccompanied by parties, or accompanied by parties of less than 10 persons, in which latter case tickets sold at regular first-class rates must be held by each person; the rate from 1 to 499 miles, 25 cents a mile; from 500 miles to 624 miles, $124; 625 miles and over, 20 cents a mile; a minimum charge of $15, which, after June 1, 1914, will be $25, and the rate will be 30 cents per car-mile instead of 25 cents, as at present.

The CHAIRMAN. That is an order from the Interstate Commerce Commission?

Mr. ROWAN. Yes, sir; it is a regularly published tariff.

Mr. LLOYD. Is it true that in the case of a privately owned car being transported from one place to another in order that it may be used at some other point, you charge 25 cents per mile for its transit?

Mr. ROWAN. I am not thoroughly familiar with that.

Mr. LLOYD. Do any of the rest of you know whether that is the rule or not?

Mr. PEABODY. That is the rule on the Santa Fe. We move empty cars for private parties at 25 cents a mile.

Mr. ROWAN. Unoccupied cars, passenger or baggage cars, not in service, owned by individuals, theatrical companies, amusement or advertising companies, when moved empty, when a charge for porter or other attendants will be charged for at the rate of 25 cents per mile per car, with a minimum charge of $25 per car, plus one adult individual fare for each porter or attendant. This charge will apply whether or not the cars move in service in the first direction. After June 1 this rate will be 30 cents.

The CHAIRMAN. What is the date of that order?

Mr. ROWAN. That will be effective June 1.

The CHAIRMAN. What is the designation of the order?

Mr. ROWAN. It is a tariff and it will be a supplement to New York Central tariff No. 1.

The CHAIRMAN. And goes into effect on June 1?

Mr. ROWAN. Yes. I. C. C. No. 817. The rate in effect to-day is 25 cents per car, and new rate 30 cents per car-mile, and the minimum charge of $15 will be $25 after June 1.

Senator WEEKS. That means that the rate would obtain in each direction?

Mr. ROWAN. In each direction; yes, sir.

Senator WEEKS. And if the car made a round trip the rate would be doubled?

Mr. ROWAN. It will be doubled; yes, sir. I would like to call the attention of the commission to an interesting comparison I worked out yesterday, showing the difference between the rate per car which we get now for handling magazines by freight (blue tag), and the rate which it is proposed to pay under this bill, for the month of October, 1913. During that month there were 41 cars of blue-tag mail handled between Buffalo and Chicago with a total of 1,415,880 pounds, or an average per car of 34,530 pounds. At the freight rate of 30 cents per 100 pounds, which is the commercial freight rate, it gives an earning per car (a 36-foot car) of 19.8 cents per mile. Under this proposed law we would get 18 cents for hauling a steel 60-foot car on a passenger train the speed of which is three time as great as that of the freight service.

The CHAIRMAN. What is your present rate per car mile brought up to a 60-foot car basis?

Mr. ROWAN. I have not figured that out, but the standard freight car is 36 feet 6 inches in length.

The CHAIRMAN. That is the rate you are receiving for freight on blue tag?

Mr. ROWAN. Yes, sir; we get approximately, taking an average for the month, of 20 cents a car mile for a 36-foot freight car to-day between Buffalo and Chicago, and under the proposed law we would get 18 cents for hauling on a passenger train of three times the speed. The freight service is about 36 hours and the passenger-train service is about 12 hours.

Mr. LLOYD. Who fixes the present rate?

Mr. ROWAN. The freight rate?

Mr. LLOYD. The blue-tag rate?

Mr. ROWAN. We quoted the regular freight rate that is open to every shipper in the country, published and filed with the Interstate Commerce Commission.

Mr. MACK. You get a very direct comparison with the 40-foot storage-car rate proposed in the bill—that is, a 36-foot car is similar to that which earns 20 cents.

The CHAIRMAN. On a freight train?

Mr. MACK. A freight train. Freight service in a freight car built at one-eighth of the cost, and maintained at nominal cost by comparison with a mail car.

Mr. ROWAN. The result would be that the Post Office Department would turn over all their freight to the storage car, because it would be cheaper.

Dr. LORENZ. I did not understand whether, in getting the 19 cents, Mr. Rowan took the mileage in one direction or both directions?

Mr. ROWAN. One direction.

Dr. LORENZ. The rate the Post Office Department pays you is for a round trip, so you would have to double that rate.

Mr. PETERS. Those cars may be loaded back?

Mr. ROWAN. The preponderance of freight is eastbound. It is the reverse of the mail movement. We never bring back empty freight cars.

Mr. LLOYD. That answers the contention of the Post Office Department that you have an opportunity to use the cars coming back, because you have much more freight to handle coming East than going West, but you have more mail going West than East?

Mr. STEWART. We have empty equipment to transport East.

Mr. PETERS. But that would not fill up your cars, Mr. Stewart.

Mr. STEWART. Perhaps not all of them. Mr. Rowan is making a comparison between a strictly freight business, 34,000 pounds to the car, and a passenger movement with an average of 7 tons to the car. It is well understood that the freight business is always conducted very largely on the weight basis and is very different from the passenger business. The latter is conducted almost exclusively on a space basis. This being the case, the comparison is not a fair one.

Mr. ROWAN. The comparison I am making is the comparison of the revenue which we receive. We are receiving to-day 20 cents for the shipment in a freight car that you are proposing to pay for, under the new bill, 12 cents when on a passenger train.

Mr. LLOYD. But you are carrying about 17 tons of mail, while in the R. P. O. car you carry only about 3 tons.

Mr. PETERS. I just want to call Mr. Stewart's attention to the fact that this is what he is paying for carrying the mail that has been taken out of the postal cars and sent by freight—the blue-tag mail.

Mr. ROWAN. Let us take the weight of the stuff that is handled. A storage car with 20,000 pounds of mail in it would make 125,000 pounds to haul over the road. A freight car weighs 40,000 pounds. This average weight of 34,530 pounds would make a total of 74,570 pounds, for which we get approximately 20 cents as against proposed hauling of 125,000 pounds in a passenger train for 18 cents.

The CHAIRMAN. To my mind, the strength of your presentation depends entirely on your answer to Dr. Lorenz's question as to whether your calculation is on a single trip or a round trip—a one-way movement or a round-trip movement.

Mr. ROWAN. I took a one-way movement, because we would use the car coming back and there are frequently cars of blue-tag mail that have as much as 46,000, 48,000, and, in some cases, 50,000 pounds in a car. Take the particular car that I picked out that had 46,595 pounds of blue-tag matter moved in the month of October, and there were many more that had a greater tonnage than that. At 30 cents, that gives a car earning, for a 36-foot car, of 26.7 cents per mile. If you want to bring that up to a 60-foot car, it would be at least 50 per cent more.

The CHAIRMAN. Then you think the department ought to reduce that rate?

Mr. ROWAN. No. We are asking for an increase of freight rates.

The CHAIRMAN. I mean on the blue tag.

Mr. STEWART. You are asking an increase of freight rates on what basis?

Mr. ROWAN. I think they are asking for an increase of 5 per cent.

Mr. STEWART. For what reason? The freight rates are too low?

Mr. ROWAN. Yes. I do not want to get into a discussion of freight rates, however.

Mr. STEWART. I will refer to that incidentally here next Tuesday and I want to know what your views are as to the reasons why the railroads are asking for an increase in freight rates.

Mr. ROWAN. The Interstate Commerce Commission is handling that question.

Mr. STEWART. But you gentlemen have introduced it here in the percentages which you have submitted to the joint committee. However, we will take that up later. On this question of comparison between passenger and freight service, I want to read what Mr. Tomlinson, an expert of the Pennsylvania Railroad Co., said during a conference at the department in 1908:

> I might add that as between passenger traffic and freight traffic, freight traffic is carried entirely by weight, but passenger traffic is, from its original standpoint, handling per capita. Consequently in the passenger traffic we reach a space basis rather than a tonnage basis.

And again, he says:

> As I have pointed out before, the difference between the passenger service and the freight service is the difference between carrying the load on a tonnage basis and carrying it per capita—equivalent to space basis. If I desire to travel on a train and occupy a sleeper I will pay for a definite amount of space, whether my personal weight is large or small. I would still occupy the same space. The passenger train is always limited, so that no logical solution of passenger traffic to be divided between several classes appears to us except the space basis.

Mr. Tomlinson is one of the most expert railroad men in the country, and every railroad man here knows the value of his opinion, which goes directly to the validity of the comparison which has been submitted this morning between a freight rate for 34,000 pounds and a purely passenger movement, where the minimum load would be perhaps 3 tons and the maximum, say, 12 tons.

Mr. PETERS. Mr. Chairman, that is just where we differ with General Stewart. The mails are not passenger business. The mails now are largely composed of merchandise, parcels post, and it is a traffic that should be carried by weight and not by space. We do not handle the mails as we do passengers and that is the difference. While it is carried on passenger trains it should be carried by weight. Express is carried on passenger trains under a series of rates based on weights and size. The railroads make no specific charge for that. Those rates are issued by the express companies, but the contracts with the express companies say that the railroads shall have a certain proportion of their gross receipts. The express business is carried on the passenger trains, but not on a space basis. The mails have become practically like the express and they should be carried on a weight and not on a space basis.

The CHAIRMAN. We will suspend for a moment. Representative Madden is here. Mr. Madden has a committee meeting to attend in a short time and he will give this commission the benefit of some views he has relative to the subject under consideration. Mr. Madden, would you kindly address us?

## STATEMENT OF HON. MARTIN B. MADDEN.

Mr. MADDEN. Mr. Chairman, I really did not come here to speak of the value of the service, but rather to make a suggestion that occurred to me of letting contracts for the movements of the mail. It has occurred to me, from a little experience that I have had, that the present method of letting contracts for the movement of the mail might be changed with some benefit, perhaps, to the Government. The present method is that the Post Office Department enters into private arrangements with the railroad companies instead of advertising for bids, as I think public policy demands they should do. The fact that the department makes a contract with a particular railroad company for the transportation of the mails into a given territory now without competition in fact, I think sometimes prevents the expedition of the mails and service to territory far west or far east as the case may be. For example, I have in mind this situation: Two competing railroads running, say, to the Pacific slope out of Chicago, one having a contract and the other not carrying the mails to any extent, one railroad not having any contract for the movement of the mails to-day might be willing to offer to the Government a special service that would enable the mail to reach, say, Portland, Oreg., 10 or 12 hours earlier than it goes now.

Under the present method of letting mail contracts that could not happen, because if the railroads that would be willing to move the mails to the Pacific slope territory 12 hours earlier than it is moved to-day were to offer that suggestion to the Post Office Department, the Post Office Department would say all right, offer your suggestion, but we must submit that suggestion to the railroad company that now has the contract, and if they are willing to meet the proposal that you contemplate making, your bid will not be considered. Of course, the natural consequence of that is that the proposal is not made, because no railroad company would be willing to make a proposal merely to force another railroad company to do something which it would like to do, but would not have the opportunity to do even after a proposal was made. But it is my opinion that if bids were asked at the end of each quadrennial period from railroads in competing territory, you would get a better movement of the mails; that is, you would get more rapidity, get faster trains. A continuation of the present method seems to be antiquated, not up to the scientific method of doing business in the commercial life of the country and in a sense tends to give a monopoly to some particular railroad.

The CHAIRMAN. Then, it is your opinion that the law should direct and compel the Post Office Department to do this?

Mr. MADDEN. Yes, sir.

The CHAIRMAN. Not leaving it to its discretion?

Mr. MADDEN. Yes, sir. I think that is about all I have to say.

Mr. LLOYD. That would not affect the question of the rate or compensation that is paid to the railroad companies for carrying the mails.

Mr. MADDEN. No; but I think the two things ought to be considered together, while you are considering the question of compensation, the question of services ought to also be taken into account, and hence my suggestion.

Mr. LLOYD. Do you think it is true, at the present time, that the railroad companies in some instances do not have the most expeditious service?

Mr. MADDEN. I do. I know of cases now where proposals would be made to the Post Office Department for the transportation of mails to given territory where 12 hours' better time could be made in the delivery of the mails than is made, but the company that would be willing to do this hesitates to make the proposal, because they are notified in advance if they do make the proposal that it will have to be submitted to their competitors, and if their competitors are willing to beat the proposal their proposition would not be considered at all.

The CHAIRMAN. It is irritation without compensation?

Mr. MADDEN. Yes.

Mr. LLOYD. My understanding is that your position has been as one representing the Post Office Department.

Mr. MADDEN. I am not representing any department.

Mr. LLOYD. My understanding is they will send the mails by a route which will make the greatest expedition.

Mr. MADDEN. I do not agree with that, because I know of at least one case to-day where they could get the mails moved to a given territory 12 hours sooner than they are being moved if the parties who are willing to move them with that extra degree of rapidity could be given any assurance that they would get any part of the mail to transport; but they are told when they make the suggestion that the suggestion would be welcome and received with open arms, but it would be received with the distinct understanding that the question be submitted to the road already carrying the mail.

Senator BANKHEAD. Under your theory, suppose two competing lines between Chicago and San Francisco should bid in competition for the mail; one line, of course, would get the contract. How would the mail be supplied on the line that did not get any contract, and how would the branch lines be supplied? How would the offices be supplied that had generally been supplied by the road that failed to get the contract under competitive bid between San Francisco and Chicago or New York and Chicago or between any other points?

Mr. MADDEN. The way they are supplied now where one road does not get it.

Senator BANKHEAD. The roads carry the mail wherever the service is necessary.

Mr. MADDEN. I am only calling attention to a case I have had called to my attention, and I have called it to the attention of the Second Assistant Postmaster General, and he verifies the truth of the statement.

Mr. TUTTLE. As I understand it, is a railroad so anxious to get the mail at the present rate of compensation that they would cut down 12 hours' time limit?

Mr. MADDEN. I do not know what their anxiety leads to, but I know they would be willing to cut down the time. In the eastern territory, I understand, for example, the mail carried is divided between the Baltimore & Ohio and the Pennsylvania Railroad, both companies being owned by the same people, or they were up to within a very recent period, and the Lake Shore & Michigan Southern and the New York Central, of course, are in the same territory, and the

transportation of the mails is divided between these people so there is really no competition.

Mr. TUTTLE. We have got the impression that the carriage of the mail was very undesirable, people were anxious to get rid of it rather than to get contracts for carrying it.

Mr. MADDEN. Of course, that impression can be easily obtained if you listen to certain people, and if you listen to certain other people an entirely different impression may be gained. Of course, I do not know anything about the value of the service, and all I know is that railroads are anxious to get part of this tonnage, whatever it amounts to, in a given territory. I do not speak for any railroad, but I speak simply for the principle.

Senator WEEKS. What particular instance have you in mind?

Mr. MADDEN. Do you want me to name the railroad?

Senator WEEKS. Yes.

Mr. MADDEN. For example, the Chicago & Northwestern out of Chicago to-day is willing to put on an extra train and make 10 or 12 hours' faster time to Portland, Oreg., on the Pacific coast if it could be assured that it could get any part of the mail to transport, and I believe it would be willing to take part of the mail during the present quadrennial period and transport it without deducting from the compensation that is paid to the railroad that now carries the mail.

Mr. LLOYD. What railroad now carries it?

Mr. MADDEN. I think it is the Milwaukee & St. Paul. They are both competing lines in the same territory.

The CHAIRMAN. That would be through post mail?

Mr. MADDEN. I suppose so.

Senator BANKHEAD. Who is going to carry it for the other people, the same road?

Mr. MADDEN. I suppose so. Of course, I am not an expert, but I wanted to call the attention of the commission to this particular case.

Senator BANKHEAD. I think it is just as important to other sections not to be deprived of their mail as it would be to deprive the patrons along the line from St. Louis to Chicago or any other points. I think the whole country is entitled to the best service.

Mr. MADDEN. Surely; and I think you would get the best mail service in the way I suggest.

The CHAIRMAN. The territory served by the St. Paul would get exactly the same service and the coast would get 12 hours' quicker service by the utilization of the Northwestern for the coast business, as against the St. Paul, as I understand Mr. Madden's idea.

Mr. MADDEN. I suppose both roads would then make the fast time if the contracts were let on the basis of what the best time would be.

The CHAIRMAN. It would be only competitive territory and competitive business.

Mr. MADDEN. Surely.

Mr. BALDWIN. Before you place too much reliance on general statements about what railroads have offered to do in this direction, you ought to hear from those railroads themselves.

The CHAIRMAN. I will ask Mr. Baldwin if he has had any instance in the hearings which we have held where we have been known to take the ipse dixit of any witness without giving every witness full opportunity of expressing his viewpoint?

Mr. BALDWIN. Oh, no. The Northwestern has no road to the Puget Sound country and the Milwaukee has. Just what proposition the Northwestern would be willing to make, it seems to me, should be gotten from the Northwestern people themselves, if it is said that they have made any such proposition. I have never heard of it myself, and I do not quite see how they could perform the service, and I do not believe that they have proposed to perform the service.

Mr. MADDEN. I think it might be well for me to say that they have not made the proposition. I said they would be willing to make the proposition and had suggested their willingness to do it, but would not care to do it under the conditions named.

The CHAIRMAN. As I understand, your suggestion is purely that a well-known business principle be applied to a governmental operation?

Mr. MADDEN. Surely. That is all I care to say, and I just wanted the committee to have the thought so that they might apply it if they thought it wise.

Mr. STEWART. Before Mr. Madden goes, would you allow me to supplement his remarks by a little more complete statement in regard to the practice of the department? We universally dispatch the mails by the fastest service available, the best schedules that are offered to get the mails through are the schedules that are accepted, whatever they may be, subject to the further rule that where a company is carrying particular mails the department does not take those mails from the carrying company and give them to a competitor as long as the carrying company will furnish equal facilities, as good schedules, and the same advantages for getting the mails through. There are fairly good reasons for that; where the service is built up on a line that has carried the mail for many years, they have the equipment already built, they have their cars, and we have our clerks who live along the line, many of them at the terminus, but a number of them will live out along the line, and a radical change from one line to another may render the equipment, which has been constructed for the use of the department, valueless, and may necessitate the removal of our postal clerks from their homes, because they would have to take up service on the other lines. However, if the advantages were sufficiently in favor of the diversion, those considerations might be waived.

Senator WEEKS. If there was a case where you could deliver the mail 10 hours earlier, as has been instanced as a tentative proposition by Representative Madden, would you consider that sufficient reason for making a change?

Mr. STEWART. Yes, sir; and we welcome all those propositions. The proposition which Mr. Madden has instanced this morning has been discussed with me, and I told the gentleman that I was ready at any moment to receive their proposition and I would treat it just as we treat all other propositions of the kind; that is to say, if they put the train on, and they would have to do that to show that they were in good faith with the department and in good faith with the carrying company, that the carrying company would have a reasonable time to meet their schedule. If the latter met the schedule they would continue to carry the mails they are now carrying, and

if they did not meet the schedule the mails would go to the other company.

The CHAIRMAN. But they would not put the train on under such circumstances?

Mr. STEWART. They sometimes do.

The CHAIRMAN. With no assurance whatever that they are going to get the business?

Mr. STEWART. Yes.

The CHAIRMAN. I would hate to own securities on that line.

Mr. STEWART. I can mention some prominent railroads that do it. The Rock Island put on a special train at one time running from Chicago to Burlington to compete with the C., B. & Q., and the C., B. & Q. met the terms of the Rock Island in order to retain the haul of the mails. The Burlington road has, for many years, given us fast mail service out of Chicago, and so far as that particular mail is concerned they hold it against all competitors, but there are competitors in the field, and from time to time we receive propositions offering to better their schedules. The Burlington does not allow anybody to get the mail. The Pennsylvania Co. gives us fast mail trains from New York to St. Louis under similar conditions. The New York Central give us fast mail trains to Chicago likewise. The Missouri Pacific system gives us fast mail trains to the South and West. They can not hold a pound of that mail if there is anybody else who is willing to put on a better schedule between those points, and they do not meet it. Those are the general rules of the department. I somewhat sympathize with the views expressed by Mr. Madden here about competition for through mail service. Of course, it can not be applied to anything but through mails. But considering all the facts and viewing the question from long experience in the department, I am not sure but that the present plan works out just about as well as if we asked for bids for the service between principal points, because there is sharp competition for the mail. In connection with the statement that has been made to the joint committee only yesterday, that if the department adopts the space basis it will lose the fast mail trains, I will say that it was following the first suggestion of that kind made here that I received two propositions from competing lines out of Chicago to put on fast mail trains, and I said to them, "Will you do it with the understanding that you are going to be paid on a space basis?" and they said, "Give us the mails."

Mr. MADDEN. I am much obliged to you, gentlemen.

The CHAIRMAN. We are much obliged to you.

Now, we will be glad to hear from the gentlemen representing the short lines. Who desires to speak first.

Mr. PETERS. I will ask Mr. Hitt to appear first.

## STATEMENT OF MR. MOULTRIE HITT.

The CHAIRMAN. Mr. Hitt, will you kindly give us your full name and your official position?

Mr. HITT. Moultrie Hitt. I am here, Mr. Chairman, in rather a peculiar capacity. I am secretary of the General Managers' Association of the Southeast, which has a number of the short lines in its membership, I am chief clerk to the present general manager of the Atlanta & West Point and Western Railway of Alabama, and

general manager of the Georgia Railroad. There are some points that came up yesterday which I did not expect to testify about, but on which, perhaps, I could throw a little light from my general knowledge of the situation on the Atlanta & West Point and Western Railway of Alabama particularly, and partly on the Georgia Railroad. The point was made on yesterday that if the basis of pay was fixed on space, that there would be an incentive for the department to economize on space. One of the members of the committee suggested that that proposition would be impracticable on account of the protest that might arise from the public on account of the curtailment of the service. On the Western Railway of Alabama we had this experience: We had 50-foot cars on trains Nos. 35 and 36, between Atlanta and Montgomery, and 60-foot cars on trains Nos. 37 and 38. Those cars run through from Atlanta to New Orleans. Under the Hitchcock régime there was an attempt made to curtail expenses on the railway post-office car. Our first experience with that was they ordered a 40-foot car in one direction and a 50-foot car in the return movement, which forced us to furnish 50-foot cars in both directions, for which we got no pay for the difference between the 40 and 50 feet in one direction.

In the meantime the law went into effect, or was about to go into effect, requiring the use of steel cars. Our road from Atlanta to Montgomery is 173 miles long, and we ordered four full 60-foot steel cars, according to the department's specifications and their representative went over the cars and inspected them at the shops. Just about the time those cars were delivered, the department notified us that they would only need 40-foot cars on our trains and said that we might furnish 60-foot cars for the 40-foot pay, which we were unwilling to do. The matter was discussed and in the meantime the department made further report that it only needed 25 feet of space on trains 35 and 36, and I think it was 30 feet on trains Nos. 37 and 38.

The CHAIRMAN. When you ordered the four 60-foot steel cars, did you do so under the requirements from the department?

Mr. HITT. It was under the provision in the appropriation bill that we would have to furnish steel cars.

The CHAIRMAN. Had you any indication from the department that they would require cars of that size?

Mr. HITT. Not the slightest.

The CHAIRMAN. They approved of your plans and specifications?

Mr. HITT. They did.

The CHAIRMAN. But you had no indication from them that they needed 60 feet?

Mr. HITT. That is correct. When the cars were delivered we had them on hand and we have since been trying to dispose of them without too great a loss. In the meantime our trains Nos. 37 and 38, the fast through trains between New York and New Orleans were running and we had to put steel cars into those trains, so we used the 60-foot cars for the 30 feet of space required by the department. We felt that our pay having been cut off entirely, we would not furnish any more space than the department needed, so we partitioned 30 feet of space in the 60-foot car, and found that the department was using the other part of car for storage mail and at the same time they would step into the storage car and bring out mail

they wanted to work in transit. However, coming to the point of the curtailment of the service, so far as it would affect the public——

The CHAIRMAN. Before we reach that I would like a little more light on this concrete instance you have mentioned. Why did you build four 60-foot cars?

Mr. HITT. We built them to take care of the Government service, as we understood it. We thought they would need 60-foot cars.

The CHAIRMAN. What had they indicated to you as to what their need was?

Mr. HITT. We had been going on the past assumption; that is to say, we had been furnishing 60-foot cars on two trains and 50-foot cars on the two others.

The CHAIRMAN. Receiving compensation at what rate?

Mr. HITT. For 60-foot and 50-foot cars until the time they made what they called the half line.

The CHAIRMAN. What is your criticism? Is it directed at the Post Office Department or at the existing law on account of the experience that you had, as just mentioned?

Mr. HITT. We feel that the department is entirely within its rights, so far as reducing the amount of space is concerned, but we do feel they should pay for such space as they use; in other words, they cut down our 60-foot cars in order to avoid paying for any space, and now they are using 30 feet without any pay.

The CHAIRMAN. Using 30 feet in what way?

Mr. HITT. As a distributing office.

The CHAIRMAN. You get compensation for the carriage of the weight of the mail put into that 30 feet?

Mr. HITT. Yes, sir.

The CHAIRMAN. But you get no compensation for the service for the utilization of distribution space in the 30 feet?

Mr. HITT. That is correct.

Senator WEEKS. And you complained also that the balance of the car is used for storage purposes?

Mr. HITT. Yes. They probably would have to use the baggage car for storage purposes, anyhow. In other words, if they choose to inconvenience themselves by using only 30 feet of space for distribution purposes, we have no particular complaint on that, but we feel we should be paid for what they use.

Mr. LLOYD. Suppose that the law is changed so that you would receive it on a space basis. Then, how would you be with reference to the matter?

Mr. HITT. I would like to make this explanation as to the effect of the curtailment of the service. What we fear in the space basis is that it would be manipulated so as to cut our pay, without reducing the value of our service, in this way: The former practice was to distribute the mail between Atlanta and New Orleans. The Government in saving the railway post-office car pay used a 30-foot car from Atlanta to Montgomery and do not work the mail that they formerly worked between Atlanta and Montgomery for distribution beyond Montgomery. They undertook to overcome that by doubling the force out of Atlanta and between Montgomery and New Orleans. The Atlanta papers were filled, for quite a while, with complaints of this passing through Atlanta and this false economy, as they called it, and they attacked the administration on that proposition.

They said that their papers going to points in Alabama, which theretofore had been worked in transit between Atlanta and Montgomery and despatched promptly from Montgomery, were not worked, but that they laid over at those places and reached their subscribers from 12 to 24 hours late. They kept that complaint up for quite a while until the Democratic administration came in.

Mr. COLEMAN. That reduction in your car service, in your 50 and 60 foot cars, did not take place until the Hitchcock administration had undertaken to readjust with economies?

Mr. HITT. No. That was the point I was making, about the tendency or the incentive to economize in space. There they were economizing for the sake of saving the railway post-office car space, and now, if the entire basis of railway-mail pay was put on space, there would certainly be a large incentive to reduce that amount of space to a minimum.

Mr. COLEMAN. During the period of Mr. Hitchcock's régime, were they trying to effect considerable economies in the operation of the mail?

Mr. HITT. Yes, sir.

The CHAIRMAN. Is that all?

Mr. HITT. There is another point I would like to ask Gen. Stewart about. On the Georgia railroad, between Atlanta and Augusta, a distance of 171 miles, they have two midnight trains, one leaving Augusta about midnight and arriving at Atlanta at about 6 o'clock in the morning, with a corresponding train in the reverse direction. Heretofore there has been more attention paid on the Georgia Railroad to the development of local travel than through travel, and there are plans under way for the purpose of undertaking to give the territory between the Carolina coast and the territory south of Atlanta better through service. One of the conditions we met with on the Georgia Railroad was that on the two midnight trains between Atlanta and Augusta there were 20 stations at which the train had to stop at night, and a member of the crew goes to the post-office car, the clerk hands him a sack of mail, he takes that sack to a lock box on the platform, unlocks the box, puts the sack in, and takes another sack out, and picks it up and gives it to the post-office clerk. There are 20 of those stations, and it perhaps takes fully 5 minutes for each one of those stations in a distance of 171 miles. At a modest calculation there is an hour and a half's delay within a distance of 171 miles.

The CHAIRMAN. Delay to what?

Mr. HITT. Delay to those two trains. I understood from a discussion of the plan here suggested that it was the idea to relieve the railroads of side and terminal service. Someone asked General Stewart the question, if that meant that the postmaster would go down and take the pouch off of the train, and he said that it would not, but that it meant that the railroads would take the custody of the pouch until the postmaster did show up. That represents a very considerable delay to our trains, and in order to overcome that we would have to put on night men at all of those points at considerable expense.

The CHAIRMAN. It would necessitate the employment of 20 additional men?

Mr. HITT. Yes. I would like to know, under the proposed plan, how we get relief or compensation for the additional 20 men?

Mr. STEWART. That service would be incidental to your main transportation service; if you carry the mails on a train you would get your regular rates for the line movement, which would cover all the incidental service along the lines.

Mr. HITT. In a case of that sort you know the line charge would have to be considerably higher than the average to take care of a peculiar condition of that sort. We are paid, as I understand, on a line charge. The proposition is for the service of hauling the mail, and not the service of hauling trains or employing 20 men to take care or custody of the mail.

Mr. STEWART. The line charge covers not only the hauling charge, but includes an allowance for all the incidental service along the line. It is based on the passenger-car revenue, which, of course, is associated with the question of cost. You were not at the former hearings when the origin of the rate was discussed. There was a proposition to fix the rate on costs. That would necessitate the ascertainment of cost on every line, but afterwards it was proposed to take the average passenger-car revenue as a basis, assuming that the revenues actually covered cost, and make certain reductions in that rate to compensate for the difference between the passenger service and the mail service, so that the line charge, on an average, is supposed to cover all of these different services.

The CHAIRMAN. Do you think the services would equalize?

Mr. STEWART. Yes, sir.

The CHAIRMAN. Cases like the 20 illustrations Mr. Hitt mentioned make quite an impression on my mind as to whether there was an equality that stands through all the service and the line charge would cover that. If not, the line charge would be unfair to some and too great to others.

Mr. STEWART. The line charge, I think, would equalize very well throughout the service and does not present as great a contrast as the rates of pay do under the present plan. Under this new plan they will get pay for every movement of a car. If you have service twice a day over a line, you will get double the amount of pay for single daily service, even if you carried the same amount of mail. Now we do not specifically take into consideration the frequency of service, as the frequency of service is reflected in the weights.

Mr. HITT. Assuming as you say, that under the proposed basis we would get double the amount of our present pay, do you go on the assumption that the space basis would bring about practically the same results that we now get by the weight basis?

Mr. STEWART. No. You misunderstood me. I did not say you would get double the amount of the present pay. I said if you run double daily service you would get double the pay you would get for running one train carrying the same amount of mail.

Mr. HITT. Then, suppose that the department saw fit, for the sake of economy, to reduce the service from two trains a day to a single train daily. Would our pay not be reduced on a space basis and cut in half?

Mr. STEWART. Yes; it would.

The CHAIRMAN. Whereas under the present basis it would be unchanged?

Mr. HITT. It would be unchanged.

Mr. STEWART. There would be compensation, however, for the service. It is not practical for the department to reduce service arbitrarily where there is need for it. As has been suggested before, the department, in the first place, is not disposed to reduce mail facilities because they want to give the best possible service to the patrons of the Postal Service. There are many people who would make known the service they desire and would be insistent on a continuance of service being provided, as has been suggested here. It is impracticable to materially reduce the mail service unless there is a reason which is convincing to everybody.

Mr. HITT. I gave an illustration just now of a case where it was not considered impracticable in spite of the complaint to reduce the service. In recent months there has been considerable development of R. P. O. terminal post-office service. There has been a good deal in the papers at least from time to time, to the effect that the department proposes to extend that even further in order to reduce the amount of space that they use on trains in R. P. O. cars by changing to a space basis that more mail would be handled in an R. P. O. terminal post office. Would not that have a tendency to cut down the space if the Government could economize by cutting our pay by reducing the amount of space used on trains?

Mr. STEWART. You must not believe everything you see in the papers about the contemplations of the Post Office Department. The authorization of R. P. O. terminals was for specific purposes, first, to handle the blue tag mail, which would not affect a line like this; and, secondly, to handle the parcel-post mail. We can not handle the parcel-post mail in the cars to any advantage; we tried it, and it was not at all successful. The best and most economical way is to handle it in the railway post-office terminals by railway post-office clerks who are accustomed to handling it on the trains, but where there are facilities for handling it in a manner which can not be accomplished on the trains. The extension of R. P. O. terminals to handle other mail might affect the question of car space, but that is not practicable; we can not handle first-class mail at the railway post-office terminals unless it is what we call "stuck" mail—that is, mail that might be carried, for instance, on the New York & St. Louis Line, which, because of extra quantity, could not be distributed en route by the clerks on the trains and is taken into St. Louis undistributed. Such mail might go into the R. P. O. terminal and be worked there, where we have the force.

Mr. HITT. As I understand the proposed plan, the railroads would be required to furnish an unlimited amount of space in terminals?

Mr. STEWART. No; that is a mistaken idea. Railroad companies would be required to furnish space in terminals for transfer purposes; that is to the advantage of the railroads just as much as it is to the advantage of the department. We do not have to put a transfer clerk there. We can call on railroad men, under the present regulations, to furnish all of that service, but we prefer to put the transfer clerk there, because he is a man who knows how the mail should be transferred and dispatched, and he assists the railroad service as well as ours; so we furnish the employee and the companies furnish him the

space for his office. Further than that, we require the railroad company now—and we are not asking a thing more under this proposed law—to furnish us such space as is necessary to handle the mails in transit, to distribute the mails between trains, not mails that go into a post office, but only mails that are in transit. There is no such condition on your road.

Mr. HITT. Take this case: Suppose now it is the custom to place a mail car at the station for some time before the departure of the train, and that a full car is used for distributing the mail, would not there be a tendency to use the terminal facilities in the station to do that distributing instead of in the postal car, and put the mail on the car in bulk, rather than put three or four tons in the car to be worked in transit?

Mr. STEWART. No; we would not use the space required of the companies for that purpose.

Mr. HITT. If the pay is based on space, there would certainly be an incentive, for space is much cheaper at some given settled points than on trains.

Mr. STEWART. Yes; but if we get space from the railroad company for that purpose we would have to pay rental for it. If we paid rental to you for the space for such purposes, and we could delay the mail sufficiently to accomplish that, without complaint from the patrons of the mails, then you could not complain because we did not need your car.

Mr. HITT. That argument sounds well, except that in fixing your basis of pay now on space, then when you made that readjustment about which you said we could not complain, we would have already provided facilities on the present basis and then you would cut down our facilities and throw them out, and we would simply be losing that capital that has been put into those facilities.

Mr. STEWART. That is true, but I can hardly imagine changes in the service which would bring about any such condition on your line.

Mr. COLEMAN. It has already happened on his line.

Mr. STEWART. No. I beg your pardon. We had there an authorization which was greatly in excess of the needs of the service, which continued for years without a proper supervision and the time came, as it comes throughout the entire service, when there had to be a reckoning and checking up, and it occurred on this line. I do not blame the company for complaining, because they thought we needed the space, which had been authorized and paid for, when, as a matter of fact, we had not needed it for years.

Mr. COLEMAN. Do I understand you to say that the line charge would take care of these 20 additional men on the Georgia Railroad who would be necessarily employed to take care of the night station, or would it take care of the proportionate cost of the hire of these 20 men? What would be the department's ruling on that proposition?

Mr. STEWART. It ought to take care of such services as were necessary for that service.

Mr. COLEMAN. The Georgia Railroad does not keep any agents or operators at any of those points at the present time. Would your line charge take care of the entire cost of the 20 additional employees of the railroads?

Mr. STEWART. It should, on the average. It may be, in a plan such as we propose, that you can pick out individual cases where it would seem not to be true that the specific charge would cover all the circumstances; but I think on the whole service on his line that the line charge would even up very well. Of course there are not a great many night trains like that where we would ask to have the mails carried. It would not necessarily follow if you put on a night train that we would require you to supply every office along the line.

Mr. TUTTLE. You do not agree that it would necessitate the employment of 20 additional men like Mr. Hitt suggested?

Mr. STEWART. No, sir; I doubt if there is a parallel case in the service. The instance cited is an extreme one.

Mr. HITT. But it would delay the train. In other words, we would have to put it in the box and it would require the 20 men. That is the condition at the present time.

Mr. STEWART. You stop your trains there for some purpose. You do not mean to say you stop them at every station just to put the pouch off?

Mr. HITT. Not at every station, but at these 20 stations there is not sufficient business there to require a night agent to sell tickets and in the majority of those cases we would need a special employee for that purpose.

Mr. STEWART. We do not require you to put an agent there, but we require you to put a box there with a lock on it and require your men to put the mail in the box.

The CHAIRMAN. That necessitates stopping the train.

Mr. STEWART. Stopping and starting, but Mr. Hitt says he stops the train for other purposes.

Mr. HITT. No. I beg your pardon. I said in some few cases, but in the majority of the cases we would not stop for any purpose.

Mr. LLOYD. But there would not be any additional cost beyond that which is now paid, because they are rendering the same service.

Mr. HITT. As I understood you just now, you said it would not be the intention, under this proposed bill, to require the railroad to furnish space for distributing the mails in order to save space on post office cars. Let me read you this section:

> They shall provide station space and room for handling, distribution, and transfer of mails in transit, and for offices and rooms for the employees of the Postal Service engaged in such transportation, when required by the Postmaster General.

That is not exactly the same thing, as I understand it. In other words, this is rather broader than I understood you to state.

Mr. STEWART. No. This is just as I stated it, and this follows the present practice.

The CHAIRMAN. And it makes no compensation extra for this?

Mr. STEWART. The general compensation covers all of this. If we should require other space than that named in the provision just quoted we would rent it from the company.

Mr. HITT. I happen to be rather familiar with the Atlanta Terminal Station. When the station was first opened there seemed to be a general impression among the railroad people that the department would call for as much space as they might want and they did call for, I think, some 12,000 square feet of space. The department's wagons would drive in and all around this space, but when we dis-

covered that under the present law it was not necessary for us to furnish an unlimited amount of space, but merely an amount of space necessary to take care of mail between trains, that amount of space was cut down from about 12,000 square feet to something like 2,000 square feet, or maybe 1,200 square feet. Under this bill it would seem to open it up and they would have power to require the whole 12,000 feet of space.

Mr. STEWART. No; not at all. It follows exactly the present regulation.

Mr. HITT. The present regulation does not say anything about distribution of transit mail in terminal post office.

Mr. STEWART. But it says "distribution of mails in transit," and that has been the practice throughout the country and has been for many years, and it has been decided by the Court of Claims that it is proper under the law and regulations. There is no change whatever. That matter has been adjudicated in the courts, so that it is practically removed from dispute.

Mr. COLEMAN. Under the new plan would you pay for this space at the terminal?

Mr. STEWART. Not the particular space under discussion that we have said will be covered by the line charge, but if we needed more space for general distribution of mails we would pay for it. We are now paying for such space in many places where we have installed the parcel-post terminals.

The CHAIRMAN. Where is the line of demarcation drawn?

Mr. STEWART. We can only ask the railroad company to furnish such space as is pertinent to the services they perform for us.

Senator BANKHEAD. That is entirely in the discretion of the department what that should be?

Mr. STEWART. Yes.

Senator BANKHEAD. For instance, you cut down the space from 12,000 to 2,000 feet. Would the Post Office Department not be forced, under this provision, to require restoration of that 12,000 feet?

Mr. STEWART. No; not unless we needed it for the purpose of handling the mail in transit.

Mr. COLEMAN. They could take the whole terminal if the Postmaster General said it was necessary in the operation of the mail?

Mr. STEWART. We could not do anything of the kind, and no such condition ever arose in the service, and could not.

Mr. HITT. When they took on the parcel post the department negotiated with the terminal station companies for space to handle the parcel post. They did not consider under the law they had a right to demand space for the distribution of the parcel post in the terminal station, and they were not satisfied with the offer of the terminal station company for space, and the department rented a storage room away from the terminal station on a side street. They now take the mails from the trains and require the wagon service located there to take the mail up to this wareroom, and they made a distribution at the wareroom, and then require the wagon people to bring it back to the terminal station and put it on the train.

The CHAIRMAN. With no extra compensation to the wagon people?

Mr. HITT. No extra compensation to the wagon people.

The CHAIRMAN. The only additional cost being the rental of the storage room?

Mr. HITT. The only additional cost being the rental of the storage room away from the terminal station at, presumably, a lower rate than they could get at these stations.

Mr. STEWART. On what authority do you say that?

Mr. HITT. My information comes in a sort of a confidential way from the wagon people.

Mr. STEWART. I can not see how it could be true, because unless the new point was named in the advertisement we could not require the screen-wagon contractor to perform that service without additional pay. As a matter of fact, I have been authorizing additional pay for additional wagon service at practically all places where terminal railway post offices have been established, and it has cost a great deal of money to take care of the parcel post mail at these places.

Mr. HITT. That is exactly what they were complaining about. That was several months ago, but it may have been adjusted since that time.

Mr. STEWART. What relevancy has that to the proposition in this bill to pay the railroads on a space basis?

Mr. HITT. The incentive on the space basis would be to require the railroad companies to furnish free distributing space in their depot.

Mr. STEWART. Did we get space free at Atlanta? You just said we rented it.

Mr. HITT. I am speaking of your bill wherein you say they shall provide rooms for handling the distribution of mails in transit.

Mr. STEWART. The language is very clear; it can not be mistaken. It is the same as the present laws and regulations provide, and, as I say, it has been the subject of adjudication.

Mr. HITT. Allow me to call on one of the gentlemen who is more expert in these matters.

Mr. LLOYD. Haven't you got the matter confused in your mind, "in transit" and "for transit?" This language is "in transit." It seems to me that you have the idea that you are required to furnish space in the station for transit.

Mr. HITT. In transit. For instance, if mail comes in on one line at 10 o'clock in the morning and it would go out on a route at 4 o'clock in the afternoon, we are now required to furnish space to take care of that mail between those two trains. It would require a much less amount of space to take care of that mail between trains than to furnish facilities for distributing that mail to save themselves the distribution on the train that leaves at 4 o'clock.

Mr. STEWART. The mails in transit are either those distributed on the cars or those distributed to sacks in the terminal for lines connected from that station. That is the only space for distribution purposes we require the railroad company to furnish.

Mr. LLOYD. Could additional space be required by the Government? At the present time you are only requiring that amount of space, but could you not require additional space for additional service that is now performed on the railway trains?

Mr. STEWART. No.

Mr. HITT. That would seem to be a question of fact, as per the regulations of the department at present in existence. I am not a mail expert, but I have a sort of a general knowledge of these things, and I would like to ask one of the mail experts if they could refer

me to the present regulations of the department as to the space that must be furnished at terminal post offices?

Mr. LLOYD. General Stewart knows about that.

Mr. STEWART. As I have previously stated, the provision of the proposed bill under discussion is, in effect, the regulation that now exists, and under this we require just such space as I have outlined to you, and none other. Where we require additional space we rent the space from the terminal company.

Mr. BRADLEY. Is it not a fact that there is no law requiring the railroad companies to furnish space at railroad stations for distribution purposes, but a regulation has been made that requires that, and is not this an effort to put into the law the present regulation; and in connection with that is it not a fact that all mail can be regarded as in transit until it is delivered to the person to whom it is addressed, and that under the interpretation which the department would give to this law you would have complete power to demand any amount of space to the extent that all of the mail would require distribution?

Mr. STEWART. Oh, no. That is an exaggerated view of the possibilities. This expresses the present regulation the practice under which has been in effect for many years throughout the country, well known to the department and its officers and to the railroad companies, and never was disputed. A few railroad mail agents got together a few years ago and disputed the right of the department to require this space, and declined to furnish it at the union station at Kansas City. The department rented the space of the Union Station Co. under an arrangement and charged the cost back to the companies. The Missouri Pacific Railway brought suit against the United States to recover the amount charged back, the case was fully heard in the Court of Claims, and the Court of Claims decided that this space was pertinent to the service; that it was a reasonable requirement; that the department had a right to handle the mails in this way and to require space for handling them. The Court of Claims dismissed the suit. That provision does not go a particle further than the present regulation. It defines it exactly as we define it in the proposed law.

The CHAIRMAN. The purpose is to make permanent law the present rule or regulation which has been in operation for a number of years?

Mr. STEWART. Yes; and it has been decided by the court to be a reasonable requirement.

Mr. ROWAN. I might say that the lawyers whom I have consulted put a different interpretation on that clause there. They think it is broad enough to require the railroad companies to furnish any space the department might need for distribution. If the department wants to confine it to certain distribution it seems to me it ought to be limited in the phraseology there, and not as broad as it is, because I think the average lawyer would put a different interpretation on it.

Mr. STEWART. The lawyers you have consulted, I presume, never had any experience in the Postal Service and do not know the history of this practice and its application?

Mr. ROWAN. It ought to be so that there could be no dispute whatever. As it is now, it could be disputed.

Mr. MACK. Mr. Chairman, I think we ought to put into the record at this point a statement to correct the impression that General

Stewart creates by his statements. The case at Kansas City is not settled; the case did not involve a sufficient amount of money for appeal to the Supreme Court of the United States, and we think the decision of the Court of Claims is very unsatisfactory, and a new suit has been instituted and will be prosecuted as soon as necessary data is furnished by the department to permit of the procedure, and that case will be appealed to the Supreme Court of the United States. We decidedly disagree with General Stewart as to the right of the department to require this space. If the paragraph under discussion were enacted into law it would eventually be referred to by somebody in the future to develop why the Government was paying for space in terminals for terminal R. P. O., which at all intermediate points handle mail in transit, not only parcel post but circular mail and other mail of that class, so that the language of that section is very dangerous; it admits of all sorts of interpretations in the future, and while I entirely concede that Mr. Stewart's purpose is fairly to maintain the existing practice, such language will undoubtedly involve trouble in the future just the same as we are having trouble with the divisor. Any power of that kind ought to be very clearly and definitely stated and its limitations ought to be secure and definite.

Mr. STEWART. Mr. Mack's statement is incorrect when he says that the case is not settled. The case is finally settled by the Court of Claims and there is no appeal from it. What the Missouri Pacific has done is to present a new case, and they are not even arguing this case in the Court of Claims, but expect to go to the Supreme Court on the dismissal of the petition. Therefore the case is not pending in the ordinary sense.

Mr. LLOYD. Is it true that the reason may be it had not been appealed was because the amount involved was not sufficient?

Mr. STEWART. Yes, sir.

Mr. LLOYD. Then there is no difference between you and Mr. Mack on that. Mr. Mack said it was not appealed because they could not appeal, but now they are making a new case which they can appeal?

Mr. MACK. It will not be finally settled until this case is settled by the Supreme Court.

Mr. LLOYD. There is only a technical difference. This case is settled; you are right in that, Mr. Stewart, but the principle involved is not settled and they are going to try to have it settled in the Supreme Court.

Mr. STEWART. In another case they have failed.

Mr. HITT. Mr. Chairman, that is all I have to say.

The CHAIRMAN. We thank you, Mr. Hitt.

Who will you have appear next?

Mr. PETERS. I would be glad to have you call Mr. Coleman.

## STATEMENT OF MR. R. B. COLEMAN.

The CHAIRMAN. Kindly state your name and official position.

Mr. COLEMAN. R. B. Coleman; general manager of the Georgia, Florida & Alabama Railroad.

Mr. Chairman, about the only thing I care to add to Mr. Hitt's statement is to try and apply this whole law to our line as I see it. We are, at the present time, receiving about $16,000 annually from mail pay. I think that the new law would result in giving us about $19,000, or an additional $3,000 per annum.

The CHAIRMAN. Assuming that you are allowed the maximum in the suggested plan?

Mr. COLEMAN. Yes. But my conviction is that if we would weigh our mail to-day it would be twenty-five or thirty thousand a year, based upon the tonnage we are actually hauling, and we therefore want to enter our earnest protest against any space basis for railway-mail pay.

The CHAIRMAN. Simply because you would receive less compensation?

Mr. COLEMAN. Simply because we would receive less compensation than we are due to receive to-day, according to the tonnage we are hauling, if paid for——

The CHAIRMAN. Under the present method of payment?

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. Then your objection is not to the principle, but rather to the remuneration received. Is that it?

Mr. COLEMAN. Well, the principle is what produces the under pay.

The CHAIRMAN. Will you give us the benefit of your views and comments regarding the principle, namely the present method and the suggested one?

Mr. COLEMAN. The method is absolutely contrary to any other rate of pay or compensation with which a railroad deals. We do not sell space to anybody. To the contrary, where you have a carload of freight, a rate may vary. It is a recognized principle, and it is approved by the Interstate Commerce Commission, that where we have a carload of mules moving 100 miles, we would have a less-than-carload rate for 5 mules, and it would exceed the carload rate for 30 mules.

The CHAIRMAN. Then you think the apartment-car pay should be greater than the R. P. O. pay?

Mr. COLEMAN. No; I do not, but I think on the principle of the linear feet it ought to be.

The CHAIRMAN. I mean relatively?

Mr. COLEMAN. Yes; relatively.

The CHAIRMAN. How about storage?

Mr. COLEMAN. I haven't any storage cars on our line. I am not prepared to go into that detail.

The CHAIRMAN. What are your principal objections to the space plan as outlined in the suggested plan submitted by the Post Office Department in volume 8?

Mr. COLEMAN. I do not think it is fair to the railroad companies from any angle.

The CHAIRMAN. Your reasons being what?

Mr. COLEMAN. Just as I said, it has a tendency to reduce our pay, the space plan.

Mr. LLOYD. Suppose we made that rate 30 cents instead of of 20 cents. Then it would increase your pay. Would you object to it then?

Mr. COLEMAN. Yes; because I do not want any pay for what I do not do, but I do want pay for what I do. I am not up here asking you gentlemen to help us out and be gratuitous to us and hand us something, but we want fairly and honestly to deal with this question and get light on it and apply a remedy that will be fair, not only to the railroads, but fair to the Government.

The CHAIRMAN. That is the proper spirit?

Mr. COLEMAN. We do not feel that a space basis is fair to anybody.

Mr. LLOYD. The Chairman is trying to get at your reasons why.

Mr. COLEMAN. There are a great many reasons why. In the first place, while General Stewart has disclaimed any purpose of reducing the frequency of service, and that kind of thing, or cutting down the mail space——

Mr. LLOYD. Now, let us deal with this proposition just like General Stewart was going out of the office to-morrow.

Mr. COLEMAN. I do not think he is going out. He has been there too long.

Mr. LLOYD. Well, leave the personnel out.

Mr. COLEMAN. Well, the personnel is the railway branch of the Post Office Department and the head of that is General Stewart. That is why I referred to General Stewart. On the present basis of pay for the side and terminal service at several points, we have three or four routes on our line of 225 miles and we have terminals where it costs us a great deal of money to attend to terminal delivery. For instance, at Tallahassee, the capital of Florida, we get pay for an additional mile on a line where we receive about $42 or $45 and it costs us $240 to attend to that service.

The CHAIRMAN. Do you think a single rule of law, or method, can apply with equal justice to the long trunk and the short lines?

Mr. COLEMAN. Yes, sir. I believe it can be figured out so that it will be applicable in every case.

The CHAIRMAN. You do?

Mr. COLEMAN. Yes, sir; I believe that is possible.

The CHAIRMAN. And you do not think, under the present methods, that there is an inequality or injustice to the short lines as compared with the longer lines?

Mr. COLEMAN. I do not, under the present method.

The CHAIRMAN. I mean the present system, for the time being, eliminating the question of rates?

Mr. COLEMAN. No; I do not know that there is, if you eliminate rate, because rate is the whole show in the mail argument.

The CHAIRMAN. But the method as to distribution—the rate for that is universal?

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. And you think that a universal rate will be perfectly equitable and just to both short and long lines; that is, it is not necessary to have two different methods?

Mr. COLEMAN. No; I do not think so. Take the railway-mail pay since the introduction of the parcel post on our lines, you will find the department has allowed us in the thickly settled territory of 107 miles an increase of 2.7.

The CHAIRMAN. That is an increase in your pay?

Mr. COLEMAN. In our pay; yes, sir. On a line 82 miles south of there, where we have practically no people at all, where it will hardly average four people per square mile along the coast, we got an increase of 3.3, and there is nobody there to use the parcel post at all; but there we got a greater amount of increase than we did where we had people.

The CHAIRMAN. There was an increase in figures, but not in money?

Mr. COLEMAN. That is it.

The CHAIRMAN. How was this increase arrived at?

Mr. COLEMAN. I wrote to General Stewart along that line and tried to get him to say how it was arrived at; but I could not get anything definite that would explain to my mind the reasons why the increases were made in that respect. Then, again, on two lines we got no increase at all.

Mr. STEWART. Have you my letter with you?

Mr. COLEMAN. I think so; yes, sir.

Mr. STEWART. Will you read it to the commission? Read the last one.

Mr. COLEMAN. I am not sure that I have it, but I think so.

Mr. STEWART. That is the one I wish you would read, because that has the explanation.

Mr. COLEMAN. I guess it would probably be better for me to read my letter to General Stewart first?

The CHAIRMAN. We would be very glad to have it.

Mr. COLEMAN. I will first read my letter to General Stewart and then his reply:

Mr. JOSEPH STEWART,
*Second Assistant Postmaster General, Washington, D. C.*

DEAR SIR: Referring to your letter of October 14, regarding increase in railway-mail pay and compensation to be allowed on account of parcel post, I desire to state that the method and manner quoted in your letter of ascertaining the facts regarding the increased weights are so at variance with actual conditions that I desire to call your attention specifically to the following information:

On route No. 123045, between Tallahassee and Appalachicola, Fla., on which you allowed us 3.39 per cent increase, is practically no people living along our line except the towns of Sopchoppy, Carrabelle, and Appalachicola.

On route No. 121077, between Cuthbert, Ga., and Tallahassee, Fla., where you allow us 2.53 per cent increase, it is very thickly populated with towns ranging from 500 to 7,000, densely settled with farmers, and intermediate points, and possibly beyond twenty times as many people per square mile as on route No. 123045, still our increase is less than it is where we have very few people. In our thinly populated territory, which has not yet developed to any appreciable extent, viz, south of Tallahassee, you state that the increase was 9 per cent; on route No. 121077, where it is densely populated by towns and farmers at intermediate points, our increase was only 8 per cent. The populated districts of our country are the sections which require and use the Railway Mail Service, and I would thank you to look into this situation again, and see if the percentage between Cuthbert, Ga., and Tallahassee, Fla., should not be 18 per cent rather than 8 per cent. I would also like to inquire further whether or not the field agents reporting on these routes were one and the same person; if not, then it was purely a guess as to the increase which we are unwilling to accept.

No increase whatever was allowed on route No. 123048 between Quincy and Havana, Fla., nor was any increase allowed on route No. 121079, between Richland and Cuthbert, Ga., although these routes have increased in such proportion that the other routes have.

The language of the act, viz, "not exceeding," would not be construed as permitting you to compel the railroads to accept less than 5 per cent increase. In legal effect, this language is the same as the language of the act of March 3, 1873, which provided that the pay should be at "not exceeding" the rates thereinafter named. As I understand the situation, the most that has ever been held with reference to this language is that it gave the Postmaster General the right, if he could do so, to make contracts with the railroad companies for less than the rates named in the statute, but you have no right to compel them to accept less. At the time the law was being discussed, conference report submitted to the House and Senate stated the cost of reweighing would be about $500,000, and the departmental estimate of the increased railway mail pay, due to the establishment of parcel post, was 10 per cent, but the

conferees had agreed to allow 5 per cent, and both in the conference report itself and in the debates upon it it was not only treated as a flat 5 per cent increase but an actual saving in cost of reweighing and of 5 per cent on your estimate. The discussion resulted in statements on the floor of the House and Senate that if the mails were reweighed it would cost the Government 10 per cent more than they were then paying them, so it was agreed to make the railroads take 5 per cent more and save 5 per cent besides the cost of reweighing.

We therefore desire to advise our construction of the act of March 4, 1913, in that it allows to the railroad companies an increase of 5 per cent on their mail pay, and we believe the action of the department in allowing us less to be violation of our rights. We therefore reserve the right, as we may be advised, to recover the difference between what the department is allowing us and what we conceive to be due us.

I shall be glad to have reply as early as possible.

Yours, truly,

R. B. COLEMAN.
*General Manager.*

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Mr. R. B. COLEMAN,
*General Manager Georgia, Florida & Alabama Railway Co.,*
*Bainbridge, Ga.*

SIR: The statements in your communication of December 22, 1913, respecting the increase in compensation allowed your company for increased weight of mail carried due to the inauguration of the parcel-post system have been investigated. You state that on the route between Tallahassee and Apalachicola, which serves a thinly populated territory, the increase in weight was reported as 9 per cent, while on the route between Cuthbert and Tallahassee, a well-settled district, an increase of only 8 per cent is reported, and ask that the matter be looked into.

This has been done, and in reports recently received it is stated that the estimates of the increases in weight due to the establishment of the parcel-post system were given careful attention at the time they were made, and it is not thought any error was made in them. In this connection your attention is called to the fact that the reported percentage of increase in weight have relation to the average daily weights of all mail carried on the routes. On the route between Tallahassee and Apalachicola the average daily weight is 310 pounds, and an increase of 9 per cent represents only 28 pounds, while on the route between Cuthbert and Tallahassee the average daily weight is 1,367 pounds, and an increase of 8 per cent represents 110 pounds. Respecting the increases in weight on the routes between Quincy and Havana and between Richland and Cuthbert, I have to say that these routes carried average daily weights of 93 and 88 pounds, respectively, during the quadrennial weighing in 1912. The reported increase due to the parcel post on the first-named route is 9 per cent, or 8 pounds, and on the other route 8 per cent, or 7 pounds. This gives a total weight of 101 and 96 pounds, respectively, for the two routes. The rate of compensation allowed your company for service on each of these routes is $42.75 per mile per annum, which is the maximum rate allowable for routes carrying an average daily weight of 211 pounds or less. You will therefore see that the department would not have been warranted in increasing the pay on these routes unless the increase in weight had been considerably more than 100 per cent.

Concerning your statement that you construe the act of March 4, 1913, to allow railroad companies an increase of 5 per cent in their pay, and that the action of the department in making allowances of less amounts is a violation of your rights, I would invite your attention to my letter of October 14, 1913, in which the position of the department is fully set forth. In reply to your statement that you reserve the right to recover the difference between what the department is allowing your company and what you conceive to be due it, I have to say that the compensation fixed by the orders of the Postmaster General for service on the routes of your company is full compensation for all service performed and no other or further compensation will be paid for such service, subject to future orders that may be determined warranted by the Postmaster General.

Very respectfully,

JOSEPH STEWART,
*Second Assistant Postmaster General.*

That is not the language of the law. There is a 5 per cent increase on all roads which was established prior to July 1, 1912, but it does not say if you had 100 pounds, 40 pounds, or 10 pounds; but the law says to allow not exceedingly 5 per cent increase to those lines which were established prior to a given period. Our legal department says that the words "not in excess of" so much per cent do not mean that it is discretionary with the Postmaster General whether he should allow 1, 2, or 3 per cent, but the law intended to give to the lines a flat 5 per cent increase. Gen. Stewart takes another view.

The CHAIRMAN. You do not think the law intended to give a flat 5 per cent increase unless there was a demonstration that the increase was 5 per cent in the fourth-class mail activity?

Mr. COLEMAN. What are you going to do? Really it was more than 5 per cent with us.

The CHAIRMAN. It could not exceed 5 per cent?

Mr. COLEMAN. No.

The CHAIRMAN. But please answer my question.

Mr. COLEMAN. My impression is that since the law did not carry any specific weight authorization, I think it was the intention—and I understand from the argument in Congress that it was the general impression—even in the committee that it would be a 5 per cent increase, and at that percentage the Government would save money. If I remember correctly the department's estimate was that the parcel-post matter would increase 10 per cent and it would cost the Government a half a million dollars to reweigh all of the routes. Therefore, they decided they would not reweigh the routes but give a 5 per cent on what they thought was the actual increase.

The CHAIRMAN. Your contention is that you thought you would be entitled to the increase under the law where it was demonstrated the increase was 5 per cent or more?

Mr. COLEMAN. Yes, sir; that is my contention.

The CHAIRMAN. General Stewart, will you further elucidate with reference to those two cases.

Mr. STEWART. In the last two cases Mr. Coleman mentioned, the average daily weight was far below 200 pounds, and what he is contending for is that he should be allowed 5 per cent, notwithstanding the fact that the increase in the weight of mails would not justify us, under the law, if we had weighed the mails, in paying the additional amount.

The CHAIRMAN. The department's position being that you had no legal authority but were in fact prohibited under the law because of the weight limitation in giving any greater increase than was allowed in those two cases.

Mr. STEWART. For instance, under this provision of law allowing us to pay not exceeding 5 per cent where the companies were entitled to additional pay, we could not allow them an increase which they would not be entitled to if we weighed the mail. As stated by the gentleman, the proposition first before Congress was to permit us to weigh the mails and to readjust upon the weights, but in lieu of that Congress provided that we might pay not exceeding 5 per cent. It is not to be supposed that Congress intended that we should pay under that provision money we could not pay if we had weighed the mails, and that is what the gentleman wants us to do on those two little routes. On the other road the condition is accounted for by the fact

that the average daily weight on one of the two routes is greater than on the other, so that a 9 per cent increase in one case does not add as much money per mile as does an 8 per cent increase in the other. We, of course, must consider the average daily weight on a route, and we can not make any adjustment of pay except under the terms of the statute.

Mr. COLEMAN. I insist that my mail has increased on every route more than 5 per cent. That is my contention.

Mr. STEWART. You understand that this adjustment was made to cover conditions resulting from the inauguration of the parcel post. The Postmaster General made an order, under date of August 15, 1913, which changed the conditions of the service and we are expecting to make a readjustment upon that change if Congress grants authority. We also made a change effective January 1, 1914, and we expect to take statistics and make a readjustment, if Congress gives us authority, to cover the changes effective on that date.

Mr. COLEMAN. I think we are carrying 100 per cent more than we were carrying prior.

Mr. STEWART. You will get the pay as soon as Congress authorizes us to do it.

Mr. LLOYD. It will not be retroactive?

Mr. STEWART. Yes; it will be retroactive.

Mr. ROWAN. Based on estimates?

Mr. STEWART. It will be retroactive, effective from the date of the Postmaster General's order. For instance, from August 15, 1913, up to January 1, 1914, and from January 1, 1914, when the new order was made, until the regular weighing occurs on the routes.

Mr. COLEMAN. May I ask, just for information, as to how those estimates were arrived at?

Mr. STEWART. They were arrived at by our field officers who traveled the lines and observed the conditions of the service.

Mr. COLEMAN. Did your field officers depend, to any extent, upon the post office clerks on those lines for an estimate?

Mr. STEWART. They availed themselves of all the information they could get as to the conditions on the lines. Those were the instructions.

Mr. PETERS. Could I ask this question: Will you kindly state the amount you decided was the readjustment you should make on account of the increase of August 15?

Mr. STEWART. About $254,000.

Mr. PETERS. One-half of 1 per cent.

Mr. STEWART. Yes; about $254,000. That estimate is based on actual weighings of parcel-post mails dispatched from the 50 largest offices, October 1 to 15, 1913, and the ascertainment of weight of parcels over 11 pounds handled on screen-wagon routes, October 23 to November 22, 1913.

The CHAIRMAN. Let me understand that under this ascertainment, based on the actual weighing; that your opinion was that the increase in the mail matter due to what is known as parcel-post legislation was only one-half of 1 per cent.

Mr. STEWART. No. That is the effect of the order of August 15 alone.

Mr. LLOYD. The order of August 15 changed the weight from 11 to 20 pounds?

Mr. STEWART. Yes. We added approximately $1,700,000 under the provision allowing us to pay not exceeding 5 per cent. That adjusted the condition that existed before August 15. The Postmaster General made an order which changed conditions from that date and in October we took statistics in post offices, actually weighing the parcel-post mail and the mails on the wagon routes, upon which data the estimate made to Congress was based.

The CHAIRMAN. For the calendar year, 1913, how much has the Post Office Department paid additional compensation to the transportation companies because of what is known as the parcel-post law, just one year in operation?

Mr. STEWART. That would be one-half of $1,700,000. The orders took effect July 1, 1913, and the calendar year ended December 31, 1913. The annual rate of the increases allowed was about $1,700,000.

The CHAIRMAN. So that the law went into operation on the 1st of January, 1913, and for that year you paid the railroads and the transportation companies $1,700,000 more than their regular pay because of what is known as the parcel-post law operation for that year. Is that right?

Mr. STEWART. No. We fixed an annual rate of $1,700,000, taking effect July 1, 1913, and, for the calendar year, of course, the railroads received only one-half of that amount.

The CHAIRMAN. So that they actually got for the year, 1913, $850,000?

Mr. STEWART. Yes, sir. They will get an additional amount if Congress authorizes it, for the changes that occurred by reason of the order effective August 15.

The CHAIRMAN. Under what is known as the parcel-post bill you were authorized to pay two million and a half?

Mr. STEWART. No. We were authorized not to pay exceeding 5 per cent of the compensation on certain routes.

The CHAIRMAN. On railway mail pay?

Mr. STEWART. Yes.

The CHAIRMAN. That was $50,000,000 or $49,000,000.

Mr. PETERS. That is the point that I wanted to bring out. Would you say the amount you have paid for the parcel post on this parcel-post adjustment was not exceeding $850,000, but you paid for parcel post to the roads that were weighed in the spring of 1913 on the weights of parcels that came into that weighing?

Mr. STEWART. Yes, sir.

Mr. PETERS. Was not the pay on all those roads that were weighed very, very largely increased? Did not the majority of them show a very large growth of mail, partly due to the regular growth and partly due to the parcel post? Were you able to make any estimate as to what part of the increased weighing on the eastern weighing section was due to the parcel post?

Mr. STEWART. No. Unfortunately, we can not make a reliable estimate there, for this reason: You will remember that preceding and during the weighing period of 1909 there was a depression in business in the country which affected the weights in the first section which was weighed that year, and there was actually a decrease in the railway-mail pay below that fixed by the adjustment of 1905, and therefore it prevented an accurate comparison of the percentages.

Mr. COLEMAN. It is just on that point that I tried to get at my expense, the weight of the mail. We thought we were being underpaid at least 50 per cent.

The CHAIRMAN. In other words, the department's hands were tied under the law. If the department was satisfied that there was an 8 or 9 per cent increase in weight, it could not disregard the existing law as to certain payments according to certain schedules of rates. That was the crux?

Mr. STEWART. Yes. A certain percentage of weight means so many pounds added to the daily weight, and we allowed the rate warranted by such increased weight, and we could not exceed that.

Mr. MACK. As I understand, your opinion is that you have more mail than was estimated by the officers of the Railway Mail Service?

Mr. COLEMAN. That is it, exactly.

Mr. STEWART. No. He says he has more now?

Mr. MACK. He said more, then.

Mr. COLEMAN. We had more at that time and attention was called to it. We unfortunately got into a lawsuit with one of the R. P. O. clerks and my information is that that R. P. O. clerk practically said what our increase was. We had had a fight with him for a good long time and we finally paid him a thousand dollars to get rid of him.

The CHAIRMAN. I doubt if that is of very much value to us unless you can substantate your statement. You say that that is your information.

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. I doubt if that is material in our consideration. We would be glad if you could corroborate a statement of that kind.

Mr. BRADLEY. Might it not be considered material in this way, that the ordinary provision of law to determine the rate of pay is by an actual weighing, whereas this 5 per cent was ascertained by personal estimates which might, of course, be affected by the exceptional circumstance Mr. Coleman has referred to?

Mr. COLEMAN. That is what I had in mind. I think we were legally entitled to and would have gotten more if it had not been for that circumstance.

The CHAIRMAN. Have you any evidence to submit to this commission by which you can substantiate the impression which you got?

Mr. COLEMAN. Nothing definite.

The CHAIRMAN. It is simply an impression on your part?

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. Is there any further evidence you wish to present?

Mr. COLEMAN. No; I think that is about all I had in mind.

Mr. HITT. What does your increase in parcel post amount to per annum?

Mr. COLEMAN. It amounts to $314 annually and our express earnings show a probable reduction for the fiscal year of between $4,000 and $6,000.

The CHAIRMAN. At the same point over the same route?

Mr. COLEMAN. Over the same route; yes, sir. That is why I contend I am not being paid what I ought to be. I ought to have 5 per cent anyhow.

The CHAIRMAN. That is interesting. Do you say that you receive from $6,000 to $8,000 annually less from the express since January,

1913, and that you only get $314 from the Government for the railway-mail pay over those same routes?

Mr. COLEMAN. Yes, sir. That is exactly what I mean. The indications are that our express earnings, so far as I recall, are about $4,500 to $5,500 less over identically the same route than it was prior to that time. Again, we are losing in our freight business. There is a haberdasher in our town who tells me at the present time that all of his fill-in orders between seasons, formerly shipped by freight, he now gets every week by parcel post, and so we are not only losing on our express, but on our freight traffic. We have no way of determining what the amount is on our freight traffic.

The CHAIRMAN. Do you mean to say that the parcel-post rate is less than the freight rate?

Mr. COLEMAN. Yes, sir; a great deal less. If you ship a package from Atlanta to Bainbridge, Ga., the minimum rate is 99 cents, if it weighs 5 pounds, and it would be 8 cents on the parcel post.

The CHAIRMAN. How about on 250 pounds?

Mr. COLEMAN. They are not doing it that way.

The CHAIRMAN. How about the relative rates there?

Mr. COLEMAN. I think 100 pounds of freight would be 99 cents.

The CHAIRMAN. Less than a cent a pound on 100-pound lots.

Mr. MACK. I think this gentleman explained the case to me last night. I think it would be interesting for him to illustrate the exact effect of this haberdasher's business. I know it will be interesting as to how that operates in taking the stuff out of the freight and putting it in the parcel post.

Mr. COLEMAN. That was just his explanation. He said to me that if he wants a dozen shirts as a fill-in order between the fall and summer seasons, that he gets it by parcel post, he does not wait and accumulate 100 pounds of freight, but he orders it in pounds at whatever the parcel-post maximum might be.

The CHAIRMAN. So there is one instance of a merchant who has been benefited by the parcel post?

Mr. COLEMAN. Yes, sir; to the detriment of the railway.

Mr. PETERS. How about you?

Mr. COLEMAN. I have been very much hurt by it.

Mr. HITT. Is your line one continuous mileage or is it broken up into branches.

Mr. COLEMAN. One straight system with the exception of an 11-mile branch.

Mr. HITT. How many post-office routes have you on that straight system?

Mr. COLEMAN. We have three.

Mr. HITT. Why is that divided into separate routes?

Mr. COLEMAN. My impression is it is in order to get a terminal delivery. We have tried to get it changed, but we could not.

Mr. HITT. In other words, that seems to be an arbitrary division for the purpose of compelling you to assume the expense of delivering the mail from these three offices and to and from the office in transit?

Mr. COLEMAN. That is it exactly.

Mr. STEWART. That is a very unfair statement to introduce here imputing improper motives to the officers of the department.

The CHAIRMAN. You will have ample opportunity to refute it.

Mr. STEWART. It is absolutely untrue.

The department is never actuated by motives of that kind in stating mail routes. We state mail routes in accordance with the operation of the Railway Mail Service as a rule and the operation of the trains has a great deal to do with it, so that if his line is divided into three different routes, there are excellent Railway Mail Service reasons for those divisions. Before we weigh a section we go over all the routes in the section and wherever we can combine the routes we do so and many changes of this kind are made, most of which result in relieving companies of terminal service. The question of throwing the terminal service on to the company is not a controlling consideration if it is the proper thing otherwise to combine the routes.

The CHAIRMAN. The desideratum of the department is first, efficiency for the department and, secondly, economy to the Government?

Mr. STEWART. Yes, sir.

The CHAIRMAN. And justice to all parties in interest?

Mr. STEWART. Yes, sir. The tendency of the department is to eliminate all such conditions that this gentleman states exist here. If there is any reason why those routes should be combined, we would combine them. We would not arbitrarily keep them separate simply to compel the railroad to perform the terminal service. We pay especial attention to all those features every time a weighing is had.

Mr. MCBRIDE. In your estimate of the probable revenue you would receive under the new plan, did you take into consideration the saving that you will accomplish in the cost of side and terminal service?

Mr. COLEMAN. Yes, sir; I did.

Mr. MCBRIDE. What did that amount to?

Mr. COLEMAN. $1,080, I think.

The CHAIRMAN. The statement that you have made as to the falling off in revenue from express business made quite an impression on my mind. As I remember, you made a conflicting statement there. I understood you to refer to the fact that the decrease in the revenue from the express business was from $6,000 to $8,000, and then I understood you to say——

Mr. COLEMAN. No. I corrected that. I said from $4,000 to $6,000, somewhere between those figures.

The CHAIRMAN. And the conditions are exactly the same as existed before, with reference to the express service? There has been no change, no express company has gone out of business or taken off any of its agencies or anything of that kind? In other words, the conditions are exactly the same?

Mr. COLEMAN. Exactly the same; that is, covering the present fiscal year up to this time. That is why I can not say definitely what amount.

Mr. MCBRIDE. Do you know what effect the new express rates will have?

Mr. COLEMAN. No; I do not. It looks like it will have a pretty bad effect when we see notice of an express company going out of business.

The CHAIRMAN. Is that all, Mr. Coleman?
Mr. COLEMAN. Yes.
The CHAIRMAN. We thank you very much.

## STATEMENT OF MR. GEORGE W. HARDIN.

The CHAIRMAN. Mr. Hardin, will you kindly state your full name, your residence, and official position?

Mr. HARDIN. George W. Hardin, Johnson City, Tenn. I am vice president and superintendent of the East Tennessee & Western North Carolina Railway. I have a peculiar story to tell. This is a narrow-gauge road 34 miles long and runs from Johnson City, Tenn., to Cranberry, N. C., serving a people not served in any other way. Our passenger and mail train consists of one combination car, which has a mail apartment, baggage, and small passenger end the entire year and a parlor car four months of the year. In order to get what this train would be 12 months, I have taken one-third of the 4-months' car for 12 months. These cars are each 40 feet long, which gives us a train 133 feet long. The apartment used by the Post Office Department, as I said, and the rest of the space for passengers and baggage, we not having any express line on our road. The 133 feet of train makes 6,602,120 car-foot-miles per year, of which 510,816 car-foot-miles are included in the apartment car, and 6,191,304 car-foot-miles assigned to baggage and passenger. The mail pay is $2.050 per year, which makes the department pay 4 mills per car-foot-miles, while the balance of the train is 7 mills per car-foot-mile. I understood General Stewart to state—and if I am not correct, I wish you would correct me—that getting up this recommendation here for this bill they use the earnings of the passenger train, or what the passenger train would earn, to establish a basis for making their calculation on it. Am I correct?

Mr. STEWART. The average earnings?

Mr. HARDIN. The average earnings. So, in our case, the basis used does not fit the situation by any means.

The CHAIRMAN. The figures submitted, however, as I understand, simply apply to existing conditions and are not applicable to the suggested plan of the department.

Mr. HARDIN. I am coming to that, Senator. I have not included in this 4,819 closed-pouch-miles which I left out, thinking that if I had made an error at all in my calculations that it would be favorable to the department rather than to ourselves. The increase of our mail by reason of the parcel post is rather peculiar. We serve a section up there in the mountains where the express companies do not operate, there is no delivery of that kind, and 34 miles we have mail deliveries, an average of only a little over 4 miles apart, and our people around there have just about stopped shipping any light material at all by freight, they have taken it out of our freight cars where we got paid for it and are putting it in the mail car where we do not get paid for it and it gets us both coming and going. I make the statement that the weight of our mail, by reason of the parcels post, has increased 100 per cent.

The CHAIRMAN. Is that an opinion or an ascertainment?

Mr. HARDIN. That is an opinion from observation. I would have brought the actual results if I had been allowed by the department to do so.

The CHAIRMAN. How did the department prevent you from bringing your own ascertainment?

Mr. HARDIN. I asked that we be allowed, for our own information, at our own expense, without inconvenience, delay, or interference at all with the mail service, to weigh this mail for 30 days, in order that we might state positively what it was, rather than to express an opinion about it.

The CHAIRMAN. What was the reply of the department to that request?

Mr. HARDIN. The reply is here and I can read it if you like.

The CHAIRMAN. We would like to have it; yes.

Mr. HARDIN. There are only four short letters. Will you have them all?

The CHAIRMAN. Yes.

Mr. HARDIN. The four letters referred to are as follows:

SEPTEMBER 27, 1913.

SUPERINTENDENT RAILWAY-MAIL SERVICE,
*Atlanta, Ga.*

DEAR SIR: We would be very glad to weigh the mails carried on this (Cranberry and Johnson City) route for 30 days for our own information.

We assume, of course, that there will be no objection on the part of the department, and we will thank you very much to give such advice to the mail clerk as will allow him to cooperate with us in such way as he may care to without adding to his work or responsibilities in any way whatever.

It will be our purpose to put a competent man in the baggage car and weigh all mail just as it comes in without any inconvenience in any way to the mail clerk. If you should desire it, we would be very glad to furnish you with any information gained by the weighing. If you will be kind enough to give this your early attention, we will thank you very much indeed.

Very respectfully,

GEORGE W. HARDIN,
*Vice President and Superintendent.*

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POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
DIVISION OF RAILWAY ADJUSTMENTS,
*Washington, October 6, 1913.*

Mr. GEORGE W. HARDIN,
*Vice President and Superintendent East Tennessee & Western North Carolina Railroad Co., Johnson City, Tenn.*

SIR: Your communication of the 27th ultimo, addressed to the superintendent Railway-Mail Service, Atlanta, Ga., in which you advise that you will weigh the mails on your route from Cranberry, N. C., to Johnson City, Tenn., for 30 days for your own information has been referred to the department.

In this connection you are informed that the law requires that the weighing of the mails for the purpose of readjustment of compensation shall be performed by the employees of the Post Office Department. See paragraph 4 of section 1164, of the Postal Laws and Regulations. (1875, Mar. 3, chap. 128, 1 Sup., 70.) Under this provision of law, the mails were weighed during the regular quadrennial period commencing February 15, 1912, and ending May 29, 1912, and upon the results of such weighing the compensation paid the company has been readjusted from July 1, 1912. No reports have been received that there were any failures to weigh the mails during the period or that the weights were incorrectly taken. In regular course the next weighing on the route will occur in the spring of 1916.

Relative to your proposed weighing of the mails, you are informed that neither the law nor the regulation devolves upon you the duty, and the department can not recognize any result which you may obtain for any purpose whatever. Furthermore, railroad companies are not permitted to interfere in any manner with the handling or the passage of the mails, and the obstruction or

retarding of such passage is made an offense under section 1622, Postal Laws and Regulations (35 Stats. L., 1127), to which your attention is invited.

Very respectfully,

JOSEPH STEWART,
*Second Assistant Postmaster General.*

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OCTOBER 7, 1913.

HON. JOSEPH STEWART,
*Second Assistant Postmaster General, Washington, D. C.*

DEAR SIR: We are in receipt of yours of the 6th replying to our communication of September 27 to the superintendent Railway Mail Service, Atlanta, Ga., in which we suggested to him that we desired very much to weigh the mails for 30 days on the Cranberry and Johnson City route for our own information, asking his permission to do so.

We understand quite well that the department weighing period was early in 1912, and that it will come again in 1916. Our purpose in weighing would be, as stated in former letter, for our own information, and our request was made for permission and cooperation in doing so. It was not a notice that we were going to do so, but was a request that we be allowed to do so. We had no idea that there would be objection on the part of the department. We respectfully ask that you review the said letter and beg that you indulge us to the extent of a further reply to the same.

Very respectfully,

GEORGE W. HARDIN,
*Vice President and Superintendent.*

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POST OFFICE DEPARTMENT,
SECOND ASSISTANT POSTMASTER GENERAL,
DIVISION OF RAILWAY ADJUSTMENTS,
*Washington, October 14, 1913.*

MR. GEORGE W. HARDIN,
*Vice President and Superintendent East Tennessee & Western North Carolina Railroad Co., Johnson City, Tenn.*

SIR: In answer to your communication of the 7th instant, in further reference to your desire to weigh the mails for 30 days on the Cranberry and Johnson City route for your own information, I have to inform you that the proposed weighing would serve no purpose whatever for departmental use, and if the privilege you ask were extended to your company the department would be bound to extend the same privilege to other companies which might request it. Such action would undoubtedly result in confusion, and it does not seem advisable to grant your company's request.

Very respectfully,

JOSEPH STEWART,
*Second Assistant Postmaster General.*

The CHAIRMAN. What criticism have you to make of those replies?

Mr. HARDIN. The criticism that I could have gotten actual results before this commission from our particular operation rather than coming here and saying to you that my best and honest judgment was that the parcel post had increased 100 per cent.

The CHAIRMAN. You do not think that the department's position is well taken? Don't you think that if such permission had been extended to one road, and it was generally requested by others, that it might have interfered with the administration of the mail service?

Mr. HARDIN. If the department was put to no expense or inconvenience, or the mails delayed in any way whatever, I do not see where trouble would arise.

The CHAIRMAN. It takes some time to weigh the mails?

Mr. HARDIN. Yes; but if the railroad companies undertook to do that at their own time, cost, and expense, without delay, as I say, I do not know where the objection would come from the department.

The CHAIRMAN. But in the weighing of the mails that would interfere with the mails in the car, would it not?

Mr. HARDIN. No, sir.

The CHAIRMAN. Where would you weigh the mails?

Mr. HARDIN. The bulk of our mail goes on at Johnson City. We would weigh that before the train came in, before the car was ready for the mail, and we could have weighed that without hindrance or interference from anybody, but we did not weigh any part of it without weighing all of it, and we could not weigh the mail handed in along the line that our carriers did not actually carry without permission—that is, I did not think we could. When the carrier at the intermediate point took the mail we could have our agent weigh that and hand it back to him.

Mr. COLEMAN. Is it not a fact there is no delay even when the Government weighs the mail?

Mr. HARDIN. No delay to the mail so far as I know.

Mr. LLOYD. Do you think you are getting enough pay for carrying the mail?

Mr. HARDIN. No, sir.

Mr. LLOYD. Are you satisfied with the present system of railway-mail pay?

Mr. HARDIN. With the system itself or the pay we get?

Mr. LLOYD. I asked about the system.

Mr. HARDIN. If it were corrected to allow for side and terminal service and more frequent weighing, I think we would be.

Mr. LLOYD. If you had an annual weighing and did not have to perform the side and terminal service, would you then be content with the present system?

Mr. HARDIN. With the addition that we want pay for the equipment we furnish the Government to carry it in—the car.

Mr. LLOYD. Do you want the Government to pay for the car?

Mr. HARDIN. We want them to pay for what part of the car they use.

Mr. LLOYD. You want pay for the apartment?

Mr. HARDIN. Yes, sir.

Mr. LLOYD. But you are satisfied with the rate of pay if the side and terminal service were discontinued, and you got paid for the use of the apartment car?

Mr. HARDIN. Pay for the mail that we actually carry.

Mr. LLOYD. By having an annual weighing?

Mr. HARDIN. I did not say I was entirely satisfied.

Mr. LLOYD. I left out the word "entirely." We are never entirely satisfied with anything.

Mr. HARDIN. I do not think that the graduation of the schedule of rates is exactly just to the light lines.

Mr. LLOYD. How would you change that?

Mr. HARDIN. By increasing the pay per 100 pounds or tons for the lighter lines.

Mr. LLOYD. Have you figured out what it ought to be? It is $42.75 now, the smallest amount carried.

Mr. HARDIN. I have not made those figures and that low class does not affect this line, but it seems to me that we should have a rate of at least $50 for the first class.

Mr. LLOYD. The next is $64.12. How would you change that?

Mr. HARDIN. I would make it about $85.

Mr. LLOYD. Would that reach your road?

Mr. HARDIN. Yes. I think it would reach us now, if we had a weighing.

Mr. LLOYD. And the next class you would want raised in about the same proportion?

Mr. HARDIN. As the tonnage increases I would decrease the rate per 100 pounds.

Mr. LLOYD. You think the main lines get enough now where they carry 48,000 pounds?

Mr. HARDIN. I am not enough familiar with that subject to state.

Mr. LLOYD. Then, on your road you think you ought to have $85 per mile, that the Government ought to pay for side and terminal service, and that you ought to have an annual weighing. If you had all those things and got paid for the apartment car, do you think you would be satisfied?

Mr. HARDIN. I would risk that for a while.

Mr. LLOYD. How much pay would you want for apartments? The same rate that you do for the R. P. O.?

Mr. HARDIN. No, sir. I think the smaller the space, the shorter the length of the car that the Government requires, the more per foot they ought to pay for it. It is like a retail and wholesale business.

Mr. LLOYD. What difference would you make between the apartment and the R. P. O. car in point of space?

Mr. HARDIN. The apartment car, where 10, 15, 20, or 30 feet is used—in the first place, I would not have all of those divisions.

Mr. LLOYD. We do not have them now under existing law. We are talking about existing law. I am trying to get at what you think the law ought to be.

Mr. HARDIN. The pay for space in 30-foot apartment car?

Mr. LLOYD. It ought to be about half what the similar space would be in the R. P. O. car?

Mr. HARDIN. No; it ought to be about twice as much as the same space would be in the R. P. O. car; twice as much per foot, I mean. We are confronted with a proposition to fix a maximum. It seems it ought to carry with it the idea of some minimum.

Mr. LLOYD. We are talking about the suggested bill.

Mr. HARDIN. Yes. I got off the track for a moment.

Mr. LLOYD. I understand you are decidedly opposed to the suggested bill.

Mr. HARDIN. Yes, sir.

Mr. LLOYD. And you are not in favor of it in any particular except that part which would rid you of the side and terminal service?

Mr. HARDIN. I think, without going into it carefully, from what I have in my mind, that that is about the only thing in it I see to commend it, and I believe it is offset by the methods of the Postmaster General; when the companies are relieved of that, they might have their pay reduced 5 per cent.

Mr. PETERS. Have you made up, in your mind, any objection to the space basis? Have you formed any conclusion on that?

Mr. HARDIN. Yes. As suggested in this bill the power given to the department is such that it would have the tendency to concen-

trate their loads in such a way that they would pay for little space, and they would get increased service out of the expenditures made without giving the railroads an opportunity to exercise the same degree of economy and to participate in any economies of that kind.

Mr. LLOYD. That is a matter of administration. Now, what is your objection to the principle involved in making space the basis of pay rather than weight? Suppose all other things were made right. Then would you still object to space being used as the basis?

Mr. HARDIN. On general principles, I think I would.

Mr. LLOYD. Why?

Mr. HARDIN. The fact that the railroad weighs its stuff, they have track scales at all principal points and platform scales at all depots, and their rates for every kind of freight service are, almost without exception, based on weight, because they can determine that—they know what they are doing, what they are up against, and what they have to do.

Mr. LLOYD. Is it possible to weigh the mails and get paid for them on a weight basis just like you do on freight?

Mr. HARDIN. I think so.

Mr. LLOYD. Would that not be the correct system if you are going to have a correct system?

Mr. HARDIN. Yes. That could be done at frequent intervals if you did not want to weigh it every day. So far as I am concerned, I would be willing to weigh it every day.

Mr. LLOYD. Having all the scales that are necessary, you could weigh it every day just as you do everything else?

Mr. HARDIN. Yes.

Mr. TUTTLE. Are there many lines in the country like yours, Mr. Hardin?

Mr. HARDIN. Well, I rather think not.

Mr. TUTTLE. What I was getting at is whether there are many short lines 34 miles long, and are there enough of them that would have an influence in framing a law?

Mr. HARDIN. Yes; there are a great many lines in North Carolina, South Carolina, Tennessee, Georgia, Alabama, and West Virginia that are about our length. I will say down to 20 miles. Just to show you I have some knowledge of what I am speaking of, I have just had occasion in the last 30 days to address a communication to 42 short lines around there near us to get at the rate of pay each one of them was paying their employees, and I think I have had answers from 34. There are at least that many in what the Interstate Commerce Commission designates as Division No. 5.

Mr. BALDWIN. May I ask a few questions?

The CHAIRMAN. Yes; we will be glad to have you do so.

Mr. BALDWIN. Is there any official statement of what your loss below actual cost is from carrying the mail at the present time?

Mr. HARDIN. I think Document 105 has that in it.

Mr. BALDWIN. How much below the actual cost do they report?

Mr. HARDIN. It seems to me it is $300 or $400 a year.

Mr. BALDWIN. About 25 per cent below actual cost. Well, if you were allowed relief from the side and terminal service and pay for your apartment-car service and an annual weighing, about how much would your pay increase above the present amount, in your opinion?

Mr. HARDIN. Relieved from the side and terminal service, our pay

would increase about $400 from the last weighing. If we had a weighing I think it would be increased 100 per cent.

Mr. BALDWIN. With that increase, would you then be paid acceptably for the service you would render the Government compared with freight service?

Mr. HARDIN. No, sir; we would not.

Dr. LORENZ. A moment ago Mr. Hardin gave here what he is getting per car-foot mile from this train for passenger and mail service, and as I understood it was 7 mills and a fraction for the passenger and 4 mills and a fraction for the mails per car-foot mile. Now, I wish to ask whether he has calculated what the suggested law would give him per car-foot mile in the mail service?

Mr. HARDIN. No, sir; I have not.

Dr. LORENZ. From a rough computation I made a moment ago, which is not accurate, the indications are that the earnings would be increased. I am not certain about that, but it would be worth looking into first before condemning the proposed law. It might actually increase your mail pay as it stands.

The CHAIRMAN. That is, the suggested plan, if adopted, would, in your opinion, equalize the mail pay for passenger compensation?

Dr. LORENZ. Yes; for a short line like that.

The CHAIRMAN. On this particular road?

Dr. LORENZ. Yes; for a short line such as this road, which is earning per car-mile in the neighborhood of about 30 cents; in the rate suggested in the bill it is about what he is getting from the passenger service.

Mr. BALDWIN. You mean on the basis of the present service?

Dr. LORENZ. I assume that; yes.

Mr. LLOYD. Do you run trains on Sunday?

Mr. HARDIN. Yes. We began some years ago with a mixed train leaving Johnson City in the morning and getting back when we could; that has a full coach, a combination coach, with a mail apartment in it. Some 12 years ago we put on a regular passenger train making two round trips a day. For some time the department put a mail clerk on one round trip, and after that some months they had a closed pouch on the other trip. Then a few years later they put a mail clerk on both of the round trips and closed pouches on the freight trains, so we are supposed to carry the two mail clerks two round trips a day for six days in the week. The accumulation of the mail on Sunday is such that we can not distribute it in the 34 miles, so we have instructed the men in our district to send it from Johnson City to Cranberry on Sunday, and the mail clerk is supposed to go to work 5 o'clock Monday morning and work that way so that he can distribute it coming back, so we are hauling that mail twice over the road. What he actually does is to come down to Johnson City on Sunday and work his mail up so that he has it ready to distribute and does not have to get up early in the morning.

Mr. BALDWIN. Your mail during the weighing period is weighed for how many days?

Mr. HARDIN. During the last weighing period it was weighed for 15 weeks. It is weighed 90 days.

Mr. BALDWIN. Do they divide the aggregate by 90?

Mr. HARDIN. I understood by 105.

Mr. STEWART. Is your pay fixed per annum?

Mr. HARDIN. The pay is fixed at an average daily weight per mile; yes, sir.

Mr. STEWART. How many days in the year does your average procured by the division by 90 represent?

Mr. HARDIN. If we divide by 90 the average would be greater than if we divide by 105.

Mr. STEWART. I am asking you how many days that would represent in the year—365 or 313.

Mr. HARDIN. Six days in the week for 52 weeks, of course, would be 312.

Mr. STEWART. Then it would be applying an average daily weight for 312 days to a compensation fixed by Congress for 365 days' service.

Mr. HARDIN. We handle it 365 days.

Mr. STEWART. Then the average ascertained by the department is absolutely correct.

Mr. BALDWIN. Did you weigh on Sunday?

Mr. HARDIN. No.

Mr. BALDWIN. There is the point of the whole thing.

The CHAIRMAN. Is that all, Mr. Hardin?

Mr. HARDIN. Yes, sir.

The CHAIRMAN. Thank you very much.

## STATEMENT OF MR. L. T. NICHOLS.

The CHAIRMAN. Mr. Nichols, will you kindly state your name and your official position.

Mr. NICHOLS. L. T. Nichols, general manager Carolina & Northwestern.

Mr. Chairman, the Carolina & Northwestern is a small road running from Chester, S. C., to Edgemont, N. C., in the mountains. I shall not undertake to go into any technical matters under this proposed bill because the gentlemen who have preceded me seem to know more about that than I. However, I am in hopes that the commission will hear our individual conditions and I trust that it will help the commission in any bill they may decide to report, in correcting these individual cases. I wish to say further, if I make any reference to the Post Office Department, that it is done with all due deference, for I have the highest respect for all of the officials of the department, and there is no intention whatever to show that there is any feeling in the matter, but I am simply stating facts and I do not think I will have anything to say that you will object to. As to the position of my line on the mail pay business, we have not changed. We still stand on our letter of October, 1912, which is published in the preliminary report of January, 1913, in which we suggest a 30 days' weighing period each year, a divisor by 6 and not by 7, in order to encourage seven-day mail pay, rather than discourage it, and the pay on weight basis for haulage. Please bear in mind that when I say "haulage" I mean for the carriage. And pay a fair passage rate, or relieve the roads of the risk of handling the clerks. Cut out the side line and terminal deliveries. Pay for apartment cars on some fair basis, and I think we can find statistics enough to get that, and it can be worked out by experts; and I am willing to leave it to the Interstate Commerce Commission ex-

perts so far as our line goes. The Carolina & Northwestern is a poor line by reason of unusual conditions in the way of competition, but it does not serve a poor territory, but one of the thriftiest 134-mile sections that the South boasts of outside of large cities. That is further evidenced by the fact that on information which I believe to be correct, the post-office receipts from the post offices along our lines increased from 1905 to 1913 from $59,000, in round numbers, to $72,000. The department pays for R. F. D. and star routes at purely local stations not served by any railroad, approximately $39,000 per annum, and at one station which is served altogether by our line they paid $6,589 for that service, while the Carolina & Northwestern Railroad received during the fiscal year $8,459, or only $870 in excess.

Mr. PETERS. How many miles of road was that?

Mr. NICHOLS. One hundred and thirty-four is our mileage. Document 105 shows that the C. & N. W. was underpaid, and since that time the parcel post has been inaugurated. We object to the proposed bill because we do not think it is a sound principle; it is an untried proposition, except as it has been forced upon the railroads by their own shortsightedness. I have been directly and indirectly connected with the handling of the mail in one way or another for a good long while, and in recent years there has been a constant decrease—that is, the 10 per cent and 5 per cent and the divisor—and constant demands of the Post Office Department for additional service in railway post-office cars and a rapid growth of the country in the last two years, which seems to have called for so much of this free service, speaking for ourselves, it has become burdensome. My opinion is that when it comes to paying for railway post-office cars it is exactly as you would pay for a post office in any of the cities. The carriage of the mail is an entirely different thing to housing it, and I do not see how the renting of a post office can be made to pay for carriage of the mail unless they are separately considered and put together; for, if you are going to consider them separately and combine them you might work out something, but I am not in a position to know just now how you would do it. I do not know that we have a correct idea from this proposed bill, but we are operating two 20-foot apartment cars, 134 miles each way, daily, with a pouch service 20 miles each way on weekdays, and I am not sure, but I think some of that mail is going on the passenger trains Sundays. I figure that we would be reduced $500 per annum and that the estimate in Document 103 shows that we are already $3,960 short on pay; and since that time the parcel post has been added. The time is getting very short and I do not want to keep you gentlemen at all, but I would be glad to answer any questions that may occur to you.

The CHAIRMAN. You say your present compensation will be reduced $500 per annum by the adoption of the suggested plan of the department, assuming that the maximum rates proposed under this plan is adopted were allowed you?

Mr. NICHOLS. Yes, sir. Now, may I state, too, a condition there that we fear may operate against the car space with us and make it exceedingly unfair. We have trunk lines crossing us every 10 to 23 miles; those trunk lines naturally lead out to the larger cities; the mail coming over our lines from points intermediate will be shunted off from that on to the short routes to these other places, reducing the car space that the department would use on our lines, giving it

to these other lines. From 1901 to 1909 our mail receipts increased 6.42 per cent.

The CHAIRMAN. You mean the mail payments that you received from the Government for carrying the mails?

Mr. NICHOLS. Yes, sir. The amount of revenue from express received during the same period was 71.15 per cent; the freight tonnage increased in the same period 147.8 per cent. From 1901 to 1913, according to the best information I have, the post-office receipts from the offices on my line increased nearly 33 per cent. The mail pay received by the Carolina & Northwestern Railroad in 1909 was approximately $8,436. The mail pay received in 1913 was $8,461. The cost of doing business for the 10 years up to 1909, cost us 66 per cent of our gross revenue. Since that time it has gone to 74 per cent. I make that statement to show the relative increase of business and to indicate the rapidly increasing cost of business, and want to state that it occurs to me that the mail is not carrying its proportional part of the increased burden. I will state one or two physical situations, showing the hardship under which the small lines operate.

A few years ago there was quite a demand on the line of our road by the public—not in the volume of business offered—for a second passenger train, and it became so forcible that we put on a second passenger train. The people at once petitioned the Post Office Department for additional mail service, wanting double daily service. We did not have the cars, and, under the rulings of the department, heavy fines would accrue against us if we did not operate those cars, and therefore we discontinued the trains at a very great cost, by reason of dissatisfaction among the people, and it hurt the competitive business very seriously, but we were helpless. We had not money to go out and buy apartment cars for 10 feet, and when the department changes its mind, buy one of 20. I will state the final condition we are confronted with to-day. Several months ago we had the misfortune to lose one of the three mail cars we had, in a derailment. It tore the car up and the cost of repairs being greater than we thought it would warrant, we cut it out of service. That left us with only two cars, and those cars cross on the line every day, and when it becomes necessary to put one of those cars in the shop for ordinary every day repairs, the train is not served by a mail car unless our connections find themselves in position to help us out and let us have a car. And, as occurred very recently, I had to go and hunt for one, and I could only find a full car, and I had to operate that car, pay for it on our line of road for over two weeks, while making minor repairs to this other car.

The CHAIRMAN. And getting pay for how many feet?

Mr. NICHOLS. Getting pay for no feet, but the same that we got before. It made no difference in our rates. It would not have made any difference under this proposed bill, as I understand it. There is another feature in this matter that I am free to say that I am seeking information about from the Post Office Department and making an appeal to them more than to you gentlemen, perhaps, but it is a circumstance that represents some of our conditions. These post-office clerks the railroad companies have absolutely no control over. The rules and regulations for their safety can be disobeyed with impunity. For instance, my transportation superintendent passing along a passenger landing, with a train standing and receiving passengers,

went by the mail-car door and the mail clerk kicked a mail pouch out on top of him. He turned around to the clerk and said, "Look out, old man, the first thing you know you will hurt some passenger and we will have to pay for it." The clerk replied, "Well, keep out of the way and you won't get hit." Not three weeks ago at a hotel at one of our terminals a postal clerk had his opinion of the character of cars we were running, their condition, and made the statement that the cars we were running had been condemned by the department three years ago. In this very car that we destroyed there was a mail clerk and a helper and one of them sprained his ankle and another his elbow, or something, and it cost us $500. I suppose the only thing that would actuate the clerk in making such a remark was to lay a foundation in case he had a similar action to get $500, or as much as the two others. What redress has a railroad when the postal clerks act like that?

The CHAIRMAN. Do you report these things to the postal authorities?

Mr. NICHOLS. We did not, sir.

The CHAIRMAN. Is not that the proper place for your redress?

Mr. NICHOLS. We steer as far from disturbing the Post Office Department in any way, shape, or form as is possible.

Mr. LLOYD. For the good of the service, aside from your position as a railroad official, do you not think it is your duty as a citizen to notify the department of any wrongdoing of its employees?

Mr. NICHOLS. We have trouble without hunting it, and as long as he does not hurt somebody we do not bother with them.

Mr. LLOYD. You are talking about a condition, however, that hurts you. Your implication is that this man is pursuing a course that will enable him to make money out of you in the end.

Mr. NICHOLS. As I stated, I brought out the question to see if the department would feel inclined to express themselves on that condition.

Mr. LLOYD. I have had a great deal of dealing with the department as an official, and I have found them exceedingly fair in matters of that kind, and if you call their attention to these troubles and things they will do the best they can to remedy the evil. It is impossible to control every employee, and you know that is true in your own business, as well as being true in the Government business.

Mr. NICHOLS. That is a little aside, perhaps, and I might say it has nothing to do with this particular case. However, if that continues to go on further and further, we will have people on our trains that we are responsible for that we have not the control over that we have over the passengers.

Mr. LLOYD. That is the point; you are censuring, by indirection, the Post Office Department for the dereliction of those officers and yet you have not notified the department of that dereliction.

Mr. NICHOLS. If it is any censure, I beg your pardon. I was trying to find out how to get at it.

Mr. STEWART. I assure you we expect the officers of a railway company to report every dereliction, even every discourtesy, of a railway-mail clerk, and if you do that I assure you that every effort will be made to correct it. We do not countenance any acts of discourtesy on the part of clerks.

Mr. NICHOLS. I thank you, Mr. Stewart, and I will say no more except that I am delighted to have that information.

Mr. LLOYD. I know of an instance on a road in Missouri where a postal clerk had a fight or altercation with the conductor. The clerk was sitting on the seat and the seat in front of him was thrown back and he was occupying two seats. In going from place to place the conductor suggested to him that they needed the space and he would like for him to give up one of the seats. The clerk abused the conductor a little bit, a war of words followed, and the result was that that conductor notified the Post Office Department. The Post Office Department sent out its inspector, who inspected that case and they dismissed the employee from the service.

Mr. NICHOLS. That post-office clerk was in the passenger car, was he not?

Mr. LLOYD. Yes.

Mr. NICHOLS. We would not have gone to the Post Office Department with it. We would have taken him up before the first justice of the peace. Here, in the case I mentioned, is a man in the post-office car surrounded by the power of the United States.

Mr. LLOYD. I am illustrating another point, that you do not have to go to the justice of the peace. The Post Office Department dismissed this man from the service and he is out of the railway post-office service to-day.

Mr. NICHOLS. I am glad to hear that, because I am getting a little concerned with some of ours. I was wondering whether we had to give up the entire car and everything else with it.

The CHAIRMAN. Do you see any difference between the short lines and the long lines? In other words, is it necessary to have two methods of ascertainment to be equitable and just as between the two—what are known as short lines and what are known as the trunk lines?

Mr. NICHOLS. Mr. Chairman, I will give my opinion for what it is worth. The rate for the mileage basis was made when there was no such thing as a post-office car or an apartment car; the mail was brought to the station, or if it was within 80 rods of where the station agent could walk out and get it, but very often at that time he was the postmaster, and he put it on the baggage car, tagged for the station, and so on, and the baggage-master put it off and the agent carried it to the post office, and that was the basis on which the pay was made at a time when there was such a small volume that it could be followed; every item could be counted and it was gone into, and I think the proof of the condition of the situation is that it has stood the test of time. That is the basis on which all railroad earnings are arrived at. You may talk about your passenger-rate basis as you please, but it is the tonnage basis of that train that we base our cost on, and it takes coal to pull tonnage, and our conditions are largely more in proportion to the tonnage than anything else. The apartment car came along later, voluntarily, first by the railroads and later demanded by the department, but here is where the trouble comes in, like freight rates and other conditions: The freight rates, mail rates, and passenger rates are downward; the expense multiplies upward all the time until we have gotten to the dividing line and there is no longer any leeway for us, and, to use an expression which has been pretty generally used and understood to be correct, we are gradually

starving to death. That may be going a little too far, but if you will put back the 10 and the 15 per cent that was taken off of the mail-pay basis at different periods and you will give us a fair rental basis for the space that the department would use for its exclusive purpose and relieve us from the side line and terminal service I think along that line you would find it a correct basis.

The CHAIRMAN. It is self-evident that you have received more compensation than you receive to-day, but you failed to demonstrate that you are entitled to it, have you not?

Mr. NICHOLS. I do not think so, sir; speaking for the Carolina & Northwestern. To be perfectly frank with you, sir, and every railroad—I am speaking for mine, particularly—certainly needs and wants every dollar that it can get, but I feel that every dollar the mail service is paying us to-day is costing more than it is paying.

Mr. LLOYD. Do you want to carry the mail?

Mr. NICHOLS. If the property belonged to me it would not be carried on that route at the price at which it is being taken.

The CHAIRMAN. We will now take a recess until 2.30 o'clock p. m.

(Thereupon, at 1.15 o'clock p. m., a recess was taken until 2.30 o'clock p. m.)

AFTER RECESS.

(The hearing was resumed at the expiration of the recess at 2.30 o'clock p. m.)

Mr. LLOYD. Mr. Nichols, have you carefully examined Document No. 8?

Mr. NICHOLS. I can not say that I have, further than to read and look at it.

Mr. LLOYD. You have the suggested plan of pay?

Mr. NICHOLS. Yes, sir.

Mr. LLOYD. What is your objection to that plan?

Mr. NICHOLS. It is so complicated that I have not as yet been able to analyze it. The document seems to make the basis of pay altogether on space.

Mr. LLOYD. Excepting pouch mail?

Mr. NICHOLS. Excepting pouch mail; yes, sir. In that particular we have one 20-mile pouch mail route and I do not understand whether they would pay for that independently and irrespectively of the other or whether it would be combined. My auditor, who is a very fine accountant, only had a short time to go over it, but according to our figures, it is the best we could make out of it. It evidently is not correct, because the department has very kindly given me some figures here and it does not agree with our understanding. Therefore, I think I am rather at a loss on this document.

Mr. LLOYD. According to your figures, as you understand it, how much will you receive compared with what you now receive?

Mr. NICHOLS. About as 6,300 is to 8,400.

Mr. LLOYD. And, according to the department's figures?

Mr. NICHOLS. We would make some money according to their figures.

Mr. LLOYD. Did you include the same items of cost—you and they?

Mr. NICHOLS. They are not using cost items, but revenue items.

Mr. LLOYD. Now you have revenue from mileage, revenue from loading and unloading service, and the weight of the mail.

Mr. NICHOLS. Where the figures of the department seem to differ the greatest from my figures—I went into more detail than I was capable of doing, because I do not profess to be an expert in that line—is that where we are running a 22-foot apartment, and under that bill, as I understand it, they would either have to take a 20 or 25 foot apartment, and they would naturally authorize the 20-foot apartment.

Mr. LLOYD. They would have to authorize a 20 or 25 foot apartment, one or the other.

Mr. NICHOLS. In that case it appears from their figures, and I am not capable of criticizing them, but we would get more money. But let me cite a condition. We have two daily passenger trains, as I stated, only one carrying the mail, and they say we have been paid for a 25-foot apartment. As I understand this document the Post Office Department is allowed all discretion, and if I were in their place, in making a showing for the Government, I would certainly take advantage of that law, so far as good business judgment would permit. Therefore, in calling for the service they would put on four additional cars instead of two.

Mr. LLOYD. You mean twice a day each way?

Mr. NICHOLS. Yes, sir; twice a day each way.

Mr. LLOYD. That would nearly double your pay.

Mr. NICHOLS. I beg your pardon. If they are performing all that service in a 22-foot apartment, they would not order four 25-foot apartments, but they would order four 10-foot apartments, and I would get instead of pay for two 20-foot apartments pay for four 10-foot apartments. As to the susceptibility of the changes, I gave an illustration a while ago, and I will add to it in this way: We come across to Hickory, Newton, Lincolnton, Gastonia, Chester, and the mail is picked up in between those points passing over the larger lines to a larger center than we serve direct and good business judgment of the department requires them to shunt that mail and get into those larger centers by the shortest route so as to use the least space on my line that they could require, because on the larger lines the variation of the mail is such that they are better prepared to take care of the fluctuation than they would be on the shorter line. That is the only way the space basis can be used that I can conceive of. No matter on what space you make the rate you have to get back to the mileage basis to start with. You are compelled to take the experience and the data, which is on the weight, in order to get to it. Now, if that can be done, then you get into the space basis. If you do, I venture the assertion that unless there is a minimum provided as to the amount of space, as well as a mixiumum, there will always be more or less dissatisfaction.

Mr. LLOYD. You make an arbitrary statement, as I take it, that on the figures submitted to you on the 25-foot car, if they had mail twice each day, that the amount would be less, because they would use a 10-foot apartment. It seems to me that that presumption is wide of the mark. The natural presumption would be that there would be at least a 15-foot car each way and it would make a 60-foot

space instead of 50, and you would get paid for 10 feet additional each day.

Mr. NICHOLS. I am simply putting myself in the department's place.

Mr. LLOYD. I mean to put you in the department's place.

Mr. NICHOLS. I would not put on 15 feet if 10 feet would do.

Mr. LLOYD. Certainly not; but you have 22 feet of space now each way, and you have to use a 25-foot car. You can not divide that evenly.

Mr. STEWART. The gentleman is wrong for this reason: He does not understand the manner of authorizing the apartment-car service. We would not divide the separation; the main item that controls the space is the matter of separation dependent on the number of post offices supplied and connections made. We now have 22 feet needed to provide the number of separations necessary on the line and we could not cut that number of separations in two and do the required work in 10 feet, for we would require approximately the same space, whether we had the same amount of mail or not, because we would have to make the same separations.

The CHAIRMAN. Does your authorization have to go to the peak of the load?

Mr. STEWART. It must cover the separations necessary; that is the main thing.

Mr. NICHOLS. I do not exactly get that. If you are doing the business alone in 22-foot apartments and you wanted to double the service you would certainly have correspondingly less.

Mr. STEWART. Not necessarily, as I said before, if the separations required were the same on each train, the space authorized would be the same.

Mr. NICHOLS. You mean to work in?

Mr. STEWART. To work in; yes.

Mr. NICHOLS. If you can work mail in a 10-foot apartment it strikes me you would be able to do this, by dividing apartments into 4 and let us do away with the 10-foot apartments.

Mr. LLOYD. Take the 22-foot apartment and divide by 2, that would be 11. If you had 11 feet of space you can not put that in a 10-foot space, so you will have to have a 15-foot car, and in any event you would then have a 60-foot daily space.

Mr. NICHOLS. My idea is that it just so happens that the 22-foot apartment car was divided that way and we used it for some reason. I do not know why, but we followed out their regulations so far as we could. On the new basis it goes 10 feet, 15, and so on. If 10 feet would not do I would certainly use 15, but my contention is with the mail as it now stands, but with the ability to allot the mail the other way without hurting the mail very seriously, I would naturally, as a business proposition, use as little as I could, and therefore 10 feet would do, and we would not get any more for four services than for the two.

Mr. LLOYD. That would be because the mail is diverted.

Mr. NICHOLS. A natural diversion, and it is proper business for them to divert it.

Mr. LLOYD. If it is diverted then the other roads would get the benefit of it.

Mr. NICHOLS. Certainly; but we are not doing that business.

Mr. LLOYD. But the general public is interested, and the cost of the service is the thing in which the Government is especially concerned. Now, if it shunts the mail off onto another line, it would cost them just as much to carry it on the other line as it would yours.

Mr. NICHOLS. But you are getting the benefit of double service on my line.

Mr. LLOYD. You have not presented a case yet to show why they would want to shunt it. Why would they want to get rid of your service?

Mr. NICHOLS. Naturally, with all traffic conditions, if there is nothing else to induce them to do it, they would naturally give the originating carrier the longest haul they could so that they could get it to its destination without delaying it. If they have additional space on these other lines, and want to give the additional space to the other people, and want to do it as cheap as possible, they would not shunt it off so they could load it up between points, and they would not need so much space on my line, but I am doing it at a double cost. We are crossed at six points and our service is taking it at these points and carrying it from the junction points to the distant centers.

Mr. LLOYD. Evidently your road is a fair sample.

Mr. NICHOLS. But it is the conditions under which we have to operate.

Mr. LLOYD. Yes; but you could not make a law that would fit every particular case, unless you leave it to the Post Office Department to contract with each individual railroad.

Mr. NICHOLS. I think, sir, the present basis has been worked out and seems to take notice of the several conditions.

Mr. LLOYD. The short-line people contend that you are not getting enough pay.

Mr. NICHOLS. Yes, sir.

Mr. LLOYD. And that you are not getting as much proportionately as the main trunk-line roads.

Mr. NICHOLS. I have not said anything about the main trunk-line roads.

Mr. LLOYD. I know, but you are very anxious not to say anything about them. I may say the trunk-line railroads are getting pay out of proportion what you people receive, and I say—and I think that it is the concensus of opinion of all of us—that the trunk-line roads have but little ground for complaint. It is the little fellow that has ground to complain.

Mr. NICHOLS. I am not familiar enough with the trunk line to form an opinion.

Mr. LLOYD. You are in a position where it would not be wise for you to say, and I do not want you to say, because you are crossing other roads and you must do business with other roads, and you probably do business with roads larger than your own, and that is true with many of the roads of the United States. Apparently there are about five roads at the present time directing the policy of this business and the hearing before this committee. That is my judgment about that.

Mr. PETERS. I would like to take an exception to that.

Mr. LLOYD. You can note your exception, because it goes in the record.

Mr. PETERS. Those five roads are not directing this, but we are all trying to get at what is best for us to have.

Mr. LLOYD. I think that this is true: That there is not one trunk-line representative here but who is doing everything in his power to make it appear they are not receiving enough for carrying the mail, and it is not the question of whether it should be carried by weight or space, and the reason you are objecting to space is because you do not think you will get as much compensation as under the weight system.

Mr. PETERS. No; we do not think it is right to attempt to pay by space for one of the utilities of the transportation companies that you will use on a weight basis for transporting a revenue producing or commercial business. You propose to take the space and pay for it on the wholesale space basis and then farm it out on the package or piece or pound basis, and use the facilities of the railroad to produce you a great revenue from what you sell by the pound or by the piece. Now, we feel that as we are in the transportation business, the business of furnishing transportation and carrying commodities, and have been carrying these in express, carrying them in freight, they are now taken out of that and put into your big cars on a space basis and carried there without the railroad having any opportunity to participate in the increased traffic which you are making and taking from the other side. There is the real truth of it. You propose to utilize or pay the railroads on the space basis, and yet, through that means of transportation, you collect from the people on a pound or piece basis. Now, you take the trunk-line roads, they are carrying the mails for something like from 5½ cents to 6 or 7 cents a ton a mile. I think Mr. Hardin's road, as it was figured out, was about $1.40 a ton-mile. The rate based on weight and on a mile haul produced those different results. You are getting the big quantity of your mail carried by the big railroads, your trunk lines, carried at a very low rate when you consider the service performed. We have studied this from all sides. At first it was thought that the space basis would be good and we studied it from that point of view and we all came back to the one thing, that the weight was what we transport and that we should participate in these increased revenues the United States is making out of the transportation facilities we are furnishing, by being paid on the weight basis rather than on a space basis.

Mr. STEWART. Are you objecting, then, to the character of the matter that we put in the cars and use we make of the space for the transportation?

Mr. PETERS. We do object to your going into the wholesale freight business. We felt when you went into the parcel-post business up to 11 pounds that that was an adjunct of the mails, it was something that the people wanted, they had it in other countries and it was bound to come, but when you started in general competition with the freight and express and go to 50 pounds or 100 pounds, or perhaps—we do not know—to 200 pounds, then you have gone into actual competition with the railroads themselves in the conduct of the business for which they were incorporated and for which they were built.

Mr. STEWART. Then you are objecting to our taking business from you which you are now transporting as express or freight?

Mr. PETERS. Yes.

Mr. STEWART. And transporting it on the space basis in the passenger train. Do I understand your objection correctly?

Mr. PETERS. That is right, without our being able to participate in the revenue that is obtained through the instrumentality that we furnish.

Mr. LLOYD. So far as the commission is concerned, we have never as yet for one moment considered the question of how much you would get, but it is the kind of system and what we have begged you from time to time to do, was to discuss this system, and the thing you complain about in connection with the proposed system is that it leaves too much to the discretion of the Postmaster General, and yet we have never gotten one of you at any time to assist us a particle in trying to suggest a bill on the space basis which would eliminate, to some extent, the discretion of the Postmaster General.

Mr. PETERS. Because we did not see how it could be possible to provide a bill on the space basis that did not leave the whole matter to the discretion of the administration. It is a question of administration. A weight basis is one that depends upon what the scales say and the number of miles that the weight is hauled.

Mr. STEWART. Would you be willing to make a division of the mail and accept space for all but fourth-class matter and let fourth-class matter go upon some other basis?

Mr. PETERS. I do not quite catch that.

Mr. STEWART. Would you be willing to have a combination plan and accept the space basis for all but fourth-class matter and let fourth-class matter be handled upon some other basis? I understand your objection is that we are taking over a part of the railroad's business, as you think, and are going to ask you to transport that matter on a space basis on your passenger trains. Now, if that be your objection, I ask you whether you would be willing to divide the plan and go to the space basis on all but fourth-class mail and have some other plan to handle the fourth class as, for instance, fast freight or fast express? Give us, for instance, the same rate on fourth class that you get for the express matter, which is somewhat less than we pay for the mail in large lots.

Mr. PETERS. It is all carried under the general law and part of the mail, and I do not see how you can discriminate. You use the sovereign power of the people to handle the mail, to perform its governmental functions. I think it is a Government function handling the mail. The Constitution gave Congress the right to legislate on it, to establish post roads and establish the mail, and Congress has so done, and it has, therefore, by law, become a Government function. I do not see how you can make different classes of such a function. I have considered that point of separating. We do have it to a small extent now with the traveling post office, or the railway post-office car, which is paid for at so much for a car per mile—that is, a partial space-payment—but the principal part of it is carried on a basis of weight. We have sincerely studied it and we do not see how you can make any kind of a combination of space and weight other than that which now exists. I think Mr. Worthington brought it out in one of his statements that there were about 70 mail routes in the United States that received over $100,000 a year and they represented a little over 2 per cent of all the mail

routes. They carried over 60 per cent of all the mail. The other 98 per cent of the mail routes carried the other 40 per cent. That 2 per cent of the mail routes received nearly 50 per cent of the total mail pay and the other 98 per cent of the mail routes, representing about 88 per cent of the mileage of the railroads of the country, got the other 50 per cent. Therefore, you can see that a great majority of the roads are thinly paid for rather thin mail, but the mail handled on those 70 heavy routes is handled at the very lowest rate, as your schedule for increasing weight brings the pay per ton mile down very low.

Mr. STEWART. Is it not true that the very active members of the railway mail pay committee largely represent those 70 routes?

Mr. PETERS. Yes; it is true. When the committee was originally appointed, of only five, and they were executive officers of the roads and were so occupied with other matters that we had to call in other representatives and their mail experts, the men who would attend and work on these matters, with those who were near by, and those who could be spared for it, and we had to depend on those men to come in and do this work, and we have had counsel from all over the country, we have kept all the roads posted as to what we are doing, and we have had in the committee representatives from many directions and from different sections and different classes of roads.

Mr. BRADLEY. I was going to ask Mr. Peters whether it was not a fact that the companies operating these heavy routes you speak of, where the mail is carried at the lowest possible rate per ton-mile, also includes the management of hundreds of small routes that would be affected by the various considerations that have been brought out by Mr. Nichols's testimony.

Mr. PETERS. I think that is true.

Mr. MACK. That is particularly true of the western country where the predominance of the apartment-car service exists.

Mr. BRADLEY. It is particularly true with the eastern country.

Mr. LLOYD. I think it is probably true in the western country that more branch lines are part of the main system, and that there are fewer independent roads than there are in the South.

Mr. NICHOLS. I wish to say that we had nothing to hide on the point I last spoke of. The small lines, speaking from our standpoint, are not able to keep in touch with these things as the larger lines are. They do tell us when these things are going on, and in that way we get together with them and they give us very valuable assistance in matters which we are not able to work out for ourselves, and we find a great similarity on the smaller roads, with our own, but I do not know that we are so tied up that we want to lose anything by it. A small line must have a preferred connection with a larger line.

Mr. LLOYD. That was the point I called your attention to.

Mr. NICHOLS. I have no recollection of the lines with which we have that particular traffic arrangement ever having brought, in any shape or form, any undue pressure on the small line, so far as I know, upon this mail-pay question. The pressure is the condition as it appeals to us and as we see it, and I would like very much if there is anything I can tell you in my experience to help you to come to a conclusion, I certainly want to do it, and I will only regret it if I can not.

Mr. LLOYD. You said a while ago you had not carefully examined this plan and you started to give general objections. Can you give specific objections to this plan—that is, the suggested plan of the Post Office Department?

Mr. BRADLEY. Might I suggest a thought there?

Mr. LLOYD. Yes.

Mr. BRADLEY. As bearing on a remark which Mr. Nichols previously made, which I think indicated that he was operating a mail apartment car which was 22 feet in length. Suppose that under this proposed bill the department reorganized the service on your line, and called upon you to establish a mail-apartment car service in a 15-foot apartment on your present trains, with an additional service in a 10-foot apartment on the other train. Would the additional remuneration, if you see any in the new bill, recompense you for the changes that they would call upon you to make in their discretion?

Mr. NICHOLS. If I understand your question, and answering you under the condition which we now labor under, it would be physically impossible for us to supply those cars, and the fines would be imposed upon us—I was coming to that point. That is one of my objections to that proposition there—and we would be confiscated in a short while by the fines by reason of the physical inability to comply with the requirements of the department.

Mr. LLOYD. That is on the theory that they would make demands of you that they do not now do?

Mr. NICHOLS. On the theory of what they can do and on the theory that good business would require them to make demands upon us.

Mr. LLOYD. Under the existing law if they need the space and need the service, and they demand it, you are expected to comply with the demand?

Mr. NICHOLS. Their fines, however, are commensurate with the service. They simply cut us off 10 per cent if we do not furnish a car. There is no objection to a reasonable fine.

Mr. LLOYD. What you object to there, then, is that the penalty that they propose in the suggested bill is too severe?

Mr. NICHOLS. Not only burdensome, sir, but in many cases they would confiscate the property if it is unlimited.

Mr. LLOYD. Then, if it was decided to make a recommendation to pay for space, would you say that the penalty proposed there is entirely too severe and the penalty that is proposed in the law ought to be a much lighter penalty?

Mr. NICHOLS. That ought to bear some relation to the service we refuse the Government. Another thing, this bill says we shall perform that service regardless of what the conditions are, while the present law allows us to make a contract every four years, and allows the department to go out, if we can not agree, and contract with somebody else to carry it. Here they simply say "We will take everything you have if necessary and make you carry this mail."

Mr. LLOYD. Now, let us come back to the principle involved. You do not object to the railroad companies, as a general principle, being required to carry the mails, do you?

Mr. NICHOLS. Absolutely not.

Mr. LLOYD. You would say they ought to be required?

Mr. NICHOLS. We would like to carry them the same as any other traffic. We do say, however, that this road is not getting a fair remuneration for the service now, for reasons that I cited a while ago.

Mr. LLOYD. I think you present a very strong case on a road that is not receiving sufficient remuneration. But coming back to the other question, the objection that you urge is not to the principle but what it would result in to you under the enforcement of that principle?

Mr. NICHOLS. I am using that as a fact to criticize a principle.

Mr. LLOYD. In other words, you would use the exceptional case to prove that the rule is not a good one?

Mr. NICHOLS. No, sir; but a rule that has so many of these exceptions that it is going to crush out the smaller roads.

Mr. LLOYD. The crushing out comes from what is proposed in the way of revenue. Now, if that were put in so that the penalty was no more severe than the penalty to-day, then you would have no more complaint on that score?

Mr. NICHOLS. I think I made myself clear in my statement that there might be a way of getting at an apartment-space basis, but that you would, in my opinion, get down to the weight basis first in order to get a basis to make it on. The question, then, in my mind was, Is not the weight basis, after all, the better. I do not mean to say that the space basis can not be worked out.

Mr. LLOYD. You do not think, as a practical business proposition, that the weight of mail put in a car necessarily determines the space that may be used in that car?

Mr. NICHOLS. My contention, as stated this morning, is that the two services are entirely separate and distinct.

Mr. LLOYD. That is first-class and fourth-class mail?

Mr. NICHOLS. Regardless of the class. I speak of the mail as a whole. We are carrying in our car a passenger or two passengers, and furnish him with a private-apartment car service that is exclusively the Government's, and that I can not use after it is once assigned, whether I want to or not. If the Government wants a house on wheels, they certainly should pay for that house, no matter what use they make of it.

Mr. BRADLEY. Imagine, Mr. Nichols, that there were no penalties prescribed in this bill and that you managed to find capital enough to build those additional cars and so provide the 15 feet of space on one train for a mail apartment and 10 feet of space on another, and continue performing that service for a month, in connection with the conference on yesterday, when it was suggested that these contracts should at least be made to last for one month, and if, at the end of that month, the post-office inspector went over your line, and the department, acting upon his recommendation, called upon you to furnish a 10-foot apartment on your present train and a 20-foot apartment on your other train, do you think that you could fulfill the obligation, and do you think that the compensation proposed in that law would be remunerative?

Mr. NICHOLS. You started off by saying if we had the capital to do it. Assuming that we have, of course we could go to work and then we would supply the cars as soon as we could build them or rearrange them in the shops. As to the remuneration, the point I made a while

ago was that if the car-space basis is to be the basis, then it must be flexible enough to take care of an increase as well as a decrease in the traffic and there should be a minimum as well as a maximum amount which the post office could call for if it establishes a route.

Mr. STEWART. Mr. Bradley's question is hardly a fair one, because the present practice of the department is not in accordance with it—that is to say, we do not authorize car space nor call upon the company to furnish additional cars at the behest of the post-office inspectors. Such a request would come from the officers of the Railway Mail Service or those connected with the immediate office of the Second Assistant Postmaster General. Under the present practice it is true that post-office inspectors inspect authorizations that are already made and do make reports upon whether or not the space authorized is needed, and they sometimes report that more space is needed than is authorized.

Mr. LLOYD. Is it not true, as a matter of fact, that the position he takes, that you are governed very largely in your determination by the report that is made by the post-office inspector is correct?

Mr. STEWART. No; it is not true.

Mr. LLOYD. What officer do you rely upon?

Mr. STEWART. We rely upon our own officers in the field.

Mr. LLOYD. Who are your officers?

Mr. STEWART. The division superintendents.

Mr. LLOYD. Who does he look to?

Mr. STEWART. The chief clerks.

Mr. LLOYD. Who does he look to?

Mr. STEWART. The chief clerk looks to himself. He goes over the line and inspects the line personally.

Mr. LLOYD. Then he is your post-office inspector?

Mr. STEWART. Yes, sir.

Mr. LLOYD. Then it depends upon that one officer?

Mr. STEWART. Depends upon him for facts.

Mr. LLOYD. He reports to the superintendent and the superintendent reports to you and the natural supposition is that whatever he reports will be carried out by you?

Mr. STEWART. No. The chief clerk inspects the line and he alone reports to the division superintendent; the division superintendent passes his judgment upon the case and reports to the general superintendent. The general superintendent goes over the case thoroughly, exercises his judgment in the matter, and reports to the Second Assistant Postmaster General. The Superintendent of the Division of Railway Adjustments goes over the case carefully and reports upon the matter in writing with recommendation to the Second Assistant Postmaster General and he exercises his judgment.

Mr. LLOYD. I am getting back to the practical proposition. The practical proposition is, after all, that you rely upon the statement of facts that is made by the chief clerk?

Mr. STEWART. On a statement of facts, yes.

Mr. BRADLEY. Of whom there are, I think, 125 chief clerks, 15 division superintendents, all making reports to headquarters at Washington. General Stewart commented on my question as not being fair. I want to say that I have every desire to be fair. Is it not a fact that this law places entire discretion upon the department?

Mr. STEWART. Yes; but not upon the post-office inspectors. The post-office inspectors, under the present practice, would not or could not require the railroad company to furnish a car——

Mr. LLOYD. As a matter of fact, under the proposed law, the discretion will be placed in the Postmaster General; he is the man who would decide. The Postmaster General would get his information from the Second Assistant Postmaster General, and you can follow on down the line. The Second Assistant Postmaster General gets his information from the division superintendent, the division superintendent from the chief clerk. Now, who makes the statement of facts upon which the Postmaster General decides? Why, it is the chief clerk. Whose opinion controls the Postmaster General? Yours. Who controls your opinion, if anybody? The statement of fact that is made by the superintendent and the report made by the superintendent upon that statement of fact, and you follow it back after all, and you rely on the chief clerk because he makes the statement of fact. Now, if there is anything wrong it may be in the statement of fact. Then the railroad company suffers the wrong because the chief clerk has not made a correct statement of the situation. It is largely a matter of judgment, too, in many of these cases, about which the chief clerk or inspector makes his report. He may have his little bias or feeling in the matter, as they frequently do, and he makes a statement of fact which may not be exactly the statement of facts as they exist.

Mr. STEWART. Mr. Nichols, you referred to the excessive fine that might be imposed. Will you indicate under what provision of this proposed law you anticipate anything of the kind?

Mr. NICHOLS. If for any reason a railroad found that the carrying of the mail was a burden too great for it to bear, and it wished not to do so, it would be subject to this clause:

It shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding $5,000.

Mr. STEWART. That has nothing to do with the question we have before us and which we were discussing; that is, whether or not your company would be able to furnish a car when asked to furnish it.

Mr. NICHOLS. My idea was that that applied to any one of these requests.

Mr. STEWART. No; it would not.

Mr. NICHOLS. It says when "required by the Postmaster General so to do." When the Postmaster General or his assistants request me to put on a car——

Mr. STEWART. That relates to the refusal to perform service. Turn over to page 1061 and note the paragraph at the top of the page:

If any railroad company carrying the mail shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident, as may be required by the Postmaster General, it shall be fined such sum as may, in the discretion of the Postmaster General, be deemed proper.

Mr. NICHOLS. It may be $10,000.

Mr. STEWART. That is the provision that exists to-day. It is no different from the present law or regulation.

The CHAIRMAN. Is that law to-day, or is it a regulation?

Mr. STEWART. It is covered partly by law and partly by regulation.

Mr. LLOYD. What is the law? Have you got it there before you?

Mr. NICHOLS. Only this particular feature, but that is not my understanding.

Mr. STEWART. Let me go a little further. The present situation with regard to furnishing apartments is this: Your transportation pay is, by law, based upon several conditions. It so states in the first paragraph of the law, and one condition is that the company shall furnish a suitable apartment or apartments in cars for the purpose of enabling the distribution of mail en route.

Mr. NICHOLS. May I ask you when that amendment to the law of 1873 was put in?

Mr. STEWART. That is part of the original law of 1873.

Mr. NICHOLS. Are you certain about that?

Mr. STEWART. Yes; I am very familiar with it. That is a condition precedent to your getting pay for transportation of the mail on a weight basis, and the penalty for failure to furnish such apartments would be a fine.

Mr. NICHOLS. Ten per cent.

Mr. STEWART. No; that is contained in another statute. That penalty is for failure to furnish full cars. This refers to an apartment car. The law makes the furnishing of an apartment car a condition precedent to earning the compensation for transportation, and if you do not furnish the apartment car, under the existing law, the Assistant Attorney General has held that you would not get any pay for transportation of mail at all. That is under existing law, and it is more drastic than this.

Mr. NICHOLS. I do not think he can show the law for it. I know the ruling is there.

Mr. STEWART. I will say that I have not imposed that kind of penalty for refusal to furnish a car.

Mr. NICHOLS. I would not hesitate to go before any court on the law against the Postmaster General's contention on that point under the present law, but if this was law I would go to Canada.

Mr. STEWART. Under the existing law we have the power to impose a fine, and that is what we do if you do not furnish the car. There has never been, so far as I remember, any case where a fine was imposed where a road refused to provide a car because of not having one; we aim to give a company a reasonable time to obtain a car. We do not impose fines in such cases, yet we have the same power now that this provision confers.

Mr. NICHOLS. I did not read it that way.

Mr. STEWART. That is the correct reading of it.

Mr. NICHOLS. My idea is that even in the department's ruling that such a fine as you will note in it has some relation to the pay or to the service which you fail to give them. But this proposition here puts the railroads absolutely at the mercy of the department.

Mr. STEWART. The provision is the same as it exists to-day. There is no change whatever, and if you will drop down to another paragraph you will see that it says:

He may deduct the price of the value of the service in cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

That is in the present statute also.

Mr. NICHOLS. You make a case where you say if the service is the fault of the railroad company. In my case it might be a physical condition which I can not get over, which would be quite a different case to the aggravated case of a malicious refusal and a desire to hamper the Government. There ought to be a difference on that. I might incidentally handle a gun and kill a friend across the street, but it would be quite different than if I went hunting for him.

Mr. LLOYD. Mr. Chairman, I think there is quite a difference in the two laws. The proposed law states—

it shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding $5,000.

The existing law is—

The Postmaster General may make deductions from the pay of contractors for failure to perform service according to contract and impose fines upon them for other delinquencies. He may deduct the price of the trip in all cases where the trip is not performed and not exceeding three times the price if the failure be occasioned by the fault of the contractor or carriers.

Mr. NICHOLS. That always applies where some carrier goes out and falls down and does not handle it, but leaves it.

Mr. LLOYD. There does not seem to be much difference, except in one case it fixes the limit; it could not be more than $5,000, while under the existing law it says they may impose fines, but it does not say how much.

The CHAIRMAN. Have you anything further, Mr. Nichols?

Mr. NICHOLS. That is all, unless I can serve you further.

The CHAIRMAN. We thank you for presenting your views to the commission.

## STATEMENT OF MR. W. B. DENHAM.

The CHAIRMAN. Will you kindly state your name, your residence, and official position?

Mr. DENHAM. W. B. Denham; residence, Jacksonville, Fla. I am general manager of the Ocala Northern Railroad. This is a new piece of property, a railroad that has been recently constructed within the last year or two by some local people who were originally millmen. It was first started as a tramroad, and after it was extended they made a railroad of it. After being in operation for about a couple of years they got into trouble, and it is now in the hands of a receiver. A receiver was appointed last May, and I took charge of it as manager. The railroad at the present time is about 54 miles long, with a branch of about 10 or 15 miles, but that has not been put in operation, as it was under construction when it went into the hands of a receiver. We have two mail routes on that little line.

Mr. LLOYD. Two each way?

Mr. DENHAM. No, sir. A round trip, with two mail routes; it is a straight line, but it has two mail routes—that is, we have one mail route from Ocala to Fort McCoy, about 20 miles, and from there we have another route from Fort McCoy to Palatka. The first 4.44 is over what is known as the Seaboard Air Line Railroad, over which we have trackage rights. The Government pays that little road $1.30

per mile per year for handling the mail over that 4.44 miles. The next 1.98 miles they pay $30.25. The next 13.22 miles they pay $42.75.

The CHAIRMAN. A mile, or for the distance?

Mr. DENHAM. Per mile per year. Then from Fort McCoy to Palatka, 33 miles and a fraction, they pay $42.75.

The CHAIRMAN. All those figures you have stated are applicable to the mile per year?

Mr. DENHAM. Yes, sir. It costs this railroad at Ocala $150 a year to deliver the mail. We have to deliver it from the station to the post office. We also have to deliver the mail at Fort McCoy, at a cost of $12.50 per month. There is an item of $300 out of about $900 we get on that route that goes for terminal service, not including any side service between these points; and from Fort McCoy to Palatka we have to handle the mail on that route, and when we get to Palatka we pay $15 a month, or $180 a year, to deliver the mail there. That is $480 which we have to pay out of the railway mail pay for service we perform for the Government for which you gentlemen can see on one line, the first 4.44 miles we get $1.30 a mile for.

Mr. LLOYD. How is that; by special contract?

Mr. DENHAM. Yes, sir; it was a contract made when I took charge of the road. Those were the conditions. We handle the mail just the same; the same mail that comes to Ocala goes all over the road. I do not know how they ever arrived at $1.30, but at any rate it does not compensate the railroad company for what it does.

Mr. STEWART. I will explain that. On that part of the road where they use the trackage of another road they are receiving pay at what is known as the lap rate—that is to say, the total amount paid to all of the companies using that part of the road as one railroad equals the maximum rate provided by law for service over that road, and the pay of the route lapping the parent route is fixed at the difference between the maximum rate and the rate which the parent company receives. Mr. Denham's road gets the smaller amount of pay because the other company owns the road and has the maximum service. In this case, the mileage of tracks lapped by the Ocala Northern route happens to be land grant as well. This is by agreement. If the company refuses to accept these terms the department pays the maximum rates.

Mr. DENHAM. I know, and so do you gentlemen, that it does not pay that road to handle the mail at $1.30 a mile. There is an injustice right there. Not only that, but we have to pay $150 a year to deliver that mail up town.

Mr. LLOYD. You mean this is $1.30 per mile per year?

Mr. DENHAM. Per mile per year.

Mr. LLOYD. And all the pay you get is a little over $5 for carrying that mail for 4 miles?

Mr. DENHAM. Yes.

Mr. STEWART. The terminal charge relates to the whole line and not to the 4 miles.

Mr. DENHAM. Yes. Here is another thing that I think is very clear. Why do we want two routes on that little line? There is some reason for that.

Mr. STEWART. There are two contractors. That is it.

Mr. DENHAM. It is the same contractor, one contract made by the same company. You all know, and so does Gen. Stewart, and he must admit why it is done.

Mr. LLOYD. Why is it done?

Mr. Stewart subsequently furnished the following:

The record shows that the reason for their being two routes stated in the name of the Ocala Northern Railway Co. is that service over the entire line was not in effect during the weighing in the spring of 1912, the extensions between Fort McCoy and Palatka not taking effect until July 1, 1912, and January 6, 1913. During the weighing the only service of this company was between Fort McCoy and Ocala. Subsequent to the weighing the proposition to establish service over the extension to Kenwood came before the department and later to Palatka, and in accordance with the regular practice pay was fixed on them at the rate of $42.75 per mile per annum.

Mr. DENHAM. Because he does not pay anything for it when it comes to the Government. If he had to pay that $12.50 it would cost the Government something. They pay me at Palatka $22.50 a year for delivering that mail which costs me $180. If this was only one case that would be an exception, but you will find a great many cases like that; the Government simply takes advantage of the little line like that when they know we can not perform the service for that amount. We will grind it down to every cent we can get out of it, but that is just as low as we can get anybody to carry it for, and I think they ought to be compensated for it. In addition to that they call on the company for a postal car. That little line is developing very fast; it opened a large area of good country. People are moving to that part of Florida as well as they are to all parts, and it is developing rapidly. I think it would be an advantage to the Government and to the railroad to have a postal clerk, but the question is where are we going to get that money? The road is in the hands of a receiver, the court has instructed the receiver that he can use what he makes to operate the road. That is what we must do, and besides pay any debts that are absolutely necessary for the operation of the road, but they do not authorize the road to go out and borrow anything. I notified the department that at present we did not have the means of supplying that car. I agreed with them that it would be an advantage so far as development is concerned to have the car, but at the same time we would have to furnish the car without any compensation, and under the present law we do not get anything for it. We would simply have to provide that car, haul a messenger, and furnish him all the conveniences in that car and not get a dollar for it.

Mr. STEWART. You mean you do not get any additional pay for it?

Mr. DENHAM. No, sir.

Mr. STEWART. Because the law makes that one of the conditions precedent to earning the compensation for transportation.

Mr. DENHAM. You are speaking of your understanding of the law, but I am speaking of the injustice of the law. We are not blaming anybody for what we get except that little $1.30, and I do not think that is right. If I had to do that I would dump the mail into the spring, but where you accommodate a lot of people you can not afford to do it.

Mr. STEWART. Have you ever presented the matter to the department in any way?

Mr. DENHAM. I wrote the Department to increase it for carrying all of the parcel post, and they did not do anything; but I know very

well we are handling a lot of parcel post. There are a great many people in there, and they all take advantage of it. You can not get any of these Georgia "Crackers" who do not know about the parcel post; they know everything, and they take advantage of it. I think we ought to be compensated for what we do. If we are going to provide a mail car, I think we ought to get compensation for that. I have spent my life in the development of railroad property. I started with the first railroad south in Florida after the close of the war, first as an engineer, and then I have spent the balance of my life in the railroad business. I have done a great deal of developing, and we have been handling the mail for years without being properly compensated.

The CHAIRMAN. What do you figure would be just compensation to you in those particular instances?

Mr. DENHAM. I think we ought to be paid extra for the postal car.

The CHAIRMAN. How much?

Mr. DENHAM. I never figured what amount. In addition, I think we ought to get paid for the mail handled, and I think we ought to be relieved of this terminal delivery. I do not think the Government ought to require a railroad company to deliver that mail itself and pay for it. We carry the mail to the end of the route, and of course we had to make a contract with somebody else to carry it. It is just as easy for the Government to do that as the railroad, and even better. Our corporate right and authority ceases when we deliver it at the end of the rails and we ought not to be responsible for carrying it to the post office, as none of our men have control over it. Therefore I think we should be compensated for that delivery, or the Government should have it done itself. If they think we can do it cheaper, the railroads do not object to it if they are compensated fairly.

The CHAIRMAN. Do you think the present system of railway mail pay by the Government to transportation companies can be improved upon, except in these instances you have mentioned, namely, relief from side service and compensation for apartment cars?

Mr. DENHAM. No, sir; I think, Mr. Chairman, the principle is right on which we perform the service and you pay us for what we do. The mails are weighed, but at the same time the pay for handling the mails has been decreased since my connection with the railroad. Our pay has been decreased, but our expenses have been going up all the time. To-day the railroad expenses are at least 30 to 40 per cent higher.

The CHAIRMAN. Due to what—labor, increased taxes, etc.?

Mr. DENHAM. Increased labor, taxes, and everything we buy. Yet, in view of all these increases, our rate has been gradually decreased until it has gotten to where there is really not a dollar in it to the railroad company, and we merely perform the service in order to develop the country.

The CHAIRMAN. Are any rates of the short-line roads, according to your knowledge or information, satisfactory as proposed in the suggested plan of the department and provided in volume 8, or would they prefer a continuance of the present method of ascertainment?

Mr. DENHAM. I think, so far as we have already discussed it, we think the present method, with the recommendations that were made, would be much fairer to us all. The principle involved in this new

law is contrary to all railroad practice. A man who has spent his life in the railroad business would not be approached by another who wants to run a car on a space basis. He would be refused and told that the railroad company did not do business that way. If you make him a rate, you would want to know what he was going to use the car for, and you would restrict the use so that you would get the highest possible rate out of him.

Mr. LLOYD. Do you not rent your cars to persons who want as much as a full car, and do you not receive compensation per car for the use of it?

Mr. DENHAM. No, sir; we have very little, if any, of that kind of business. In fact, we are not allowed to do it.

Mr. LLOYD. Can you not furnish a car to a man who wants to move his household goods from one place to another, and can you not furnish him a full car in which to handle those household goods?

Mr. DENHAM. I can; I do it; but I will restrict the use of that car, and I will want to know what he has in it.

Mr. LLOYD. That is, you will not allow him to put anything in there but furniture?

Mr. DENHAM. Yes. If he puts furniture in there, I will go in and see what the furniture rate is per mile, according to the interstate-commerce rate, and he will pay the full rate for that car for a minimum carload and pay everything over it.

Mr. LLOYD. You would let him have the car?

Mr. DENHAM. I would not let him have it unless he told me what he was going to use it for. I have to know that.

Mr. LLOYD. After he takes the car for the purpose of putting the furniture into it, do you inquire about how much furniture he puts in it?

Mr. DENHAM. Yes, sir; I do; and I have it weighed. We would be violating the law if we did not.

Mr. LLOYD. Do you furnish the car at so much per car or do you furnish it at a rate per 100 pounds for what goes in the car?

Mr. DENHAM. We charge them a rate per 100 pounds. There is no misquoting that rate, and we must know it is the advertised rate.

Mr. LLOYD. Do you ship horses and cattle from your part of the country to the north?

Mr. DENHAM. We do not over this road, but they do over any number of roads I have handled.

Mr. LLOYD. Do you let a man have a car to haul a carload of horses?

Mr. DENHAM. Yes, sir; but he pays a rate on that car of horses.

Mr. LLOYD. Is that by the weight of the horses or by the size of the car, or what?

Mr. DENHAM. Of course, the size of the car. Some of the States now prescribe the size of the car that shall contain so many horses and that is the carload rate. If a man ships less than a carload he pays more for it. If a man puts 5 horses in a car and wanted to have it shipped he would have to pay the carload rate.

Mr. LLOYD. Do you mean to say if he shipped 5 horses in your country, he would pay more than if he shipped 18, proportionately?

Mr. DENHAM. Yes.

Mr. LLOYD. Do you weigh the horses?

Mr. DENHAM. No; they are generally billed at a minimum rate.

Mr. LLOYD. The truth is that you furnish the space, which is a car, to haul the horses?

Mr. DENHAM. But we get the full car, whatever the Government allows us to get. We get our full rate for it.

Mr. LLOYD. But, after all, you are not transporting the horses according to weight, but you are transporting them according to the space, and the space in the car is what you sell?

Mr. DENHAM. No, sir. Everything above a certain rate should be in addition.

Mr. HITT. There is no such thing, or rather it is practically unheard of, to charge for a car. There is a general impression in the minds of a good many people that if you have a carload of freight to ship the shipper will say I can charter a car and put my household goods and live stock in it. I do not think there are any cases in the files of the commission where there is any such basis as that. For instance, in the case of less than carload shipments of mules or horses they are billed on the basis of estimated weight of, say, 1,000 pounds or 1,500 pounds, as the tariff prescribes. On carload shipments they are based on a basis of 30,000 pounds, dependent upon the size of the car, whether it is a 36,000 or a 40,000 pound car.

Mr. LLOYD. In our country we deal in horses, cattle, and mules, and if a man wants to ship a carload of mules he gets the car and he does not pay for anything else but the car.

Mr. SCOTT. But the rate for the car is based upon so many 100 pounds.

Mr. LLOYD. The rate per car is based upon the capacity per car.

Mr. HITT. That is true, but you pay so much per 100 pounds for that capacity.

Mr. DENHAM. The rates are made on so much per 100 pounds for capacity. They did not give you so much as a flat rate.

Mr. MACK. I am sorry to say I can not tell you on the mule question, but I think I understand the process of ascertaining the special-car rate as to freight. It is based primarily upon the minimum weight of the loading, with an extra rate of pay in excess of that loading, and on the passenger car it is not based on the car itself, but fixed on the number of passengers in the car.

Mr. LLOYD. If I wanted to ship from Shelbina a carload of hogs I would not ship them by weight, but I would ship them by carload and pay so much per car.

Mr. MACK. But the rate you get is based on the weight capacity.

Mr. LLOYD. There might be half a dozen persons who would ship on the same day, and ship 12 cars, but each one would pay exactly the same amount per car.

Mr. MACK. But that rate is based primarily upon the weight.

Mr. LLOYD. I appreciate that, but you do not weigh the hogs. You have a car with the capacity.

Mr. BALDWIN. If you wanted to ship fancy horses——

Mr. LLOYD. I am not talking about fancy horses.

Mr. BLOMEYER. Mr. Chairman, if you will permit me, as an old traffic man, and having spent a great deal of my time in Missouri on railroads, I perhaps can enlighten you on the subject. The live-stock rate is based on a certain weight, depending upon the length of the car. If a car is 30 feet long the minimum weight for that car is 24,000 pounds. Whether in recent years they have changed the prac-

tice of weighing live stock I do not know, but there is a weight dependent upon the length of that car and on that weight there is a rate per 100 pounds that fixes it. I believe if they think a man is crowding a car they will weigh it, but it is hard to crowd a car and get any excess over the minimum weight.

Mr. BALDWIN. Suppose you wanted a car on the basis of space for two or three horses, and put it on a passenger train, would there be any comparison between that and the weight per 100 pounds for horses generally?

Mr. BLOMEYER. No, there would not for this reason: When two or three or four animals are charged at a fixed rate per 100 pounds, and also based upon the valuation of the animal, some of the rates are fixed so that they charge a minimum of, we will say, four or five animals in the car, although you may put one in at a certain rate per 100 pounds, and they fix the weight of those single animals. However, the total charge for those four or five animals must not exceed the rate charged for a carload of the same kind of animals.

The CHAIRMAN. Are there any further comments you wish to make in reference to this matter?

Mr. DENHAM. I have figured what our pay would be under this.

The CHAIRMAN. We would like to get that, the present pay, and what you would receive if given the adoption of the suggested plan under the application of the maximum rate to your line?

Mr. DENHAM. The total length of the Ocala Northern Railroad is 53.26 miles. The present service is by closed pouches, and the Post Office Department is demanding an apartment car now, which I suppose would be 10 feet. At the present rate we would get $995.34. The initial and terminal service, according to that, would be $287.96. The cost of the messenger service we are performing to-day is about $480, so that would make the pay of the route to-day about $1,763.30, and we get about $2,200. If I was going to build a car, I would never build a 10-foot car, and, as a matter of fact, I would not build less than a 30-foot car, because it is simply a question of a short time when we would outgrow the 10-foot car and the Government would demand something more, and it is better to go to the 30-foot car at once and give it to them.

The CHAIRMAN. Then if you were asked by the Government for a 10-foot car you would give them a 30-foot car?

Mr. DENHAM. That is it exactly, because I know very well, taking the condition of the country and the growth of it, it would not be but a very short while before they would be calling for something more and that car would have to be torn to pieces. In a country like ours it is developing very rapidly, and it will only be a short time when they will want more space, and if you build a car for a certain small space you will have to tear it down and build it all over again.

Mr. STEWART. The same condition exists to-day?

Mr. DENHAM. The same condition exists to-day.

Mr. STEWART. You have the closed-pouch service now?

Mr. DENHAM. Yes.

Mr. STEWART. How do you figure that you would get less pay under the proposed law when we are going to relieve you of the side and terminal service?

Mr. DENHAM. If you deduct the side and terminal service and we do not get anything for the mail car, it would make our pay about the

same as it is to-day. If we deduct $480 from $2,260 we would get, according to the new pay, about $1,700, according to the present application.

Mr. LLOYD. You mean on the closed pouch?

Mr. DENHAM. Yes, sir; that is, I am figuring on the railroad pay.

Mr. MCBRIDE. If it remained as a closed-pouch service you would get 5 per cent less.

Mr. DENHAM. Yes.

Mr. MCBRIDE. Your computation is made on the basis of furnishing a car.

Mr. STEWART. But you would be relieved of the side and terminal service?

Mr. DENHAM. Yes.

Mr. STEWART. That would be more than 5 per cent, would it not?

Mr. DENHAM. Yes. I think too, in regard to weighing the mail, that they ought to be weighed at least once every year. We know very well that our mail has been increasing rapidly. We know the law is not retroactive and the railroad company loses all that additional weight since the last weighing.

Mr. LLOYD. Do you know the average weight of the mail you carry? Would it be less than 200 pounds?

Mr. DENHAM. Yes.

Mr. LLOYD. You do not carry much mail?

Mr. DENHAM. No; it is a new road, just opened, you might say. I think the mail will increase as soon as they put on the postal car.

Mr. MCBRIDE. Do you know what the increase was from 1908 to 1912?

Mr. DENHAM. No, sir; I do not. That is what we are getting to-day. I think the road was first opened in 1912.

Mr. MCBRIDE. You had no route in 1908?

Mr. DENHAM. No.

Mr. LLOYD. Under this proposed plan, as I understand, you would receive about the same compensation you receive under the existing law?

Mr. DENHAM. Yes.

Mr. LLOYD. Then, so far as the compensation is concerned, it would not make any difference to you. Now, what is your objection to the space plan on that theory, if it does not make any difference in compensation?

Mr. DENHAM. As my business increases——

Mr. LLOYD. As your business increases under the space system you get paid for space here?

Mr. DENHAM. I do not know under what basis you are going to pay me. In the first place, I think the space basis is all wrong.

Mr. LLOYD. Why?

Mr. DENHAM. It is all wrong because there is no railroad in America to-day——

Mr. LLOYD. That is not proof to us as to what railroads do.

Mr. DENHAM. Our common experience ever since we have been in the transportation business has been to have some man work out some other problem; and I think the railroads have some of the finest traffic men in the world, but they have never yet figured on a space basis.

Mr. STEWART. In the passenger service?

Mr. DENHAM. No, sir.

Mr. STEWART. You do not carry passengers on the weight basis?

Mr. DENHAM. We carry them at so much per mile.

Mr. LLOYD. If you have them in a Pullman car you carry them on the space basis?

Mr. DENHAM. Yes. But we, at the same time, get our fare from them. The Pullman car is supplied by the Pullman Co., and that is an accommodation. The railroad company does not furnish the passenger. The Pullman Co. gets their revenue the same as the railroad, but the railroad has nothing to do with the Pullman people.

Mr. LLOYD. So far as the passengers are concerned, you do not carry them on either a weight or space basis, strictly; but if you carry them on either, it is a space basis, because every passenger is entitled to a seat in a car?

Mr. DENHAM. Yes, sir.

Mr. LLOYD. What is he entitled to when he buys his ticket? He is entitled to get on the train and entitled to a seat.

Mr. PETERS. He is entitled to be carried from where he gets on to the point to which he buys his ticket. Sometimes they are so crowded they can not give him a seat; he can not stop the train and make them put on a car. It may be you will not carry him with comfort; you are overloaded and you can not give him a seat. That has been tested out.

Mr. LLOYD. You will not question the fact that there may be emergencies where a man gets on a railroad train, and wants to ride from here to the city of New York, he does not get a seat and might have to stand up the whole distance to New York because the train might be crowded all the way, yet he has no right to expect from the railroad company that kind of accommodation. He is entitled to a seat, but there may be an emergency where he would not secure it.

Mr. PETERS. As a rule he is entitled to a seat, but he buys the transportation and the railroad company must furnish it, and must carry him safely.

Mr. LLOYD. But that transportation entitles him also to a seat.

Mr. PETERS. As a rule, yes.

Mr. DENHAM. Then we classify. That is our highest class of rate. We classify everything else and the rate is based on that. We make one rate for one thing and one and another for another.

Mr. LLOYD. Do not understand me as trying to make you show that the passenger traffic is based on space. It say it is based on neither, but it is more nearly based on space than on weight, because in such a case weight is not a factor at all.

Mr. DENHAM. As Mr. Peters said, we may have one passenger in a coach but we are allowed to charge the highest rate for that passenger.

Mr. LLOYD. To everybody.

Mr. DENHAM. Yes. Especially the short line. For instance, in Florida, on this little road we are allowed to charge 4 cents a mile, while on another line they are only allowed to charge from 2½ to 3 cents per mile.

The CHAIRMAN. That is under a State law?

Mr. DENHAM. Under a State law; yes, sir. The reason they allow increased rates is on account of the sparsely settled territory we go through. We are allowed to increase our rates in order that we may

be compensated for the passenger business. Every class of freight we have is all classified and the rates made according to the value, or nearly, of the freight we are handling. That is the way it is classified. We have first-class rate, second-class rate, third class, then a commodity rate, on vegetables and all such as that.

The CHAIRMAN. The passenger extreme rates are from 2½ to 4 cents, in Florida?

Mr. DENHAM. Yes, sir.

The CHAIRMAN. The short lines in sparsely settled territory being allowed to charge the higher rate?

Mr. DENHAM. Yes, sir. Some of the States classify the railroads and make their rates according to the classification. The roads are classified according to their earning power per mile, per year, and after you get to a certain earning capacity they put you in class A, so while they may reduce the rate a little in that particular class, it does not affect the others.

The CHAIRMAN. Do you see any similarity between the mail business and passenger business, or the freight service and the express service?

Mr. DENHAM. They are all handled, that is, the mail service and passenger service on the same train—a first-class train—and that is the highest-class service that we have. The other service is based on second and third-class service.

The CHAIRMAN. You think the mail service should be compensation analagous to passenger compensation and should be so determined.

Mr. DENHAM. Yes, sir. I think it ought to be based on your highest first-class rate, because that is the kind of service we have to give, and you assume a lot of risk in handling your mail. If you take one of these little roads with the postal clerk in the car and you happen to hurt him, it is apt to bankrupt the railroad and that is the end of it. That is one reason I think the Post Office Department ought to take that risk themselves.

Mr. STEWART. Is it not the same with the passengers?

Mr. DENHAM. Yes, sir; but it is a little different in handling that. We do not take any risk with the express messenger.

The CHAIRMAN. In answering Mr. Stewart what is the difference in handling the passenger and postal clerk in the mail service?

Mr. DENHAM. One, of course, is carried in the mail car and the other is carried in the passenger car.

Mr. LLOYD. They are both about the same weight, are they not?

Mr. DENHAM. No. I think you will find the passenger car a little heavier. They may be the same with the mail in it.

Mr. LLOYD. When a passenger car is filled it is considerably heavier?

Mr. DENHAM. Yes; if it is filled it probably would be heavier, but just taking the two cars, the passenger car is a little heavier than the skeleton mail car.

Mr. LLOYD. If we could ascertain how much you get on the average for hauling the passenger car, would it not be about right to pay the same amount for hauling the mail car?

Mr. DENHAM. Gentlemen, when you get down to figuring those things it is something almost impossible to figure.

Mr. LLOYD. That is an easy question to answer. Here are two cars in a train—a mail car and a passenger car—and they are both about the same weight and it costs about the same to haul them; from a transportation standpoint the expense is the same. If you get a certain sum, on an average, for carrying one and receive the same for carrying the other, would not that be about right?

Mr. DENHAM. You might classify other freight in the same way. Here is a carload of stone and here is a carload of silk; we do not handle the carload of stone and the carload of silk for the same money, by any means.

The CHAIRMAN. That does not answer Mr. Lloyd's question at all.

Mr. DENHAM. In your question you asked how I handled the mail car, and you also asked the question if the mail car ought to be handled the same as express.

Mr. LLOYD. Would you not receive about the same compensation for pulling the mail car as you would the passenger car? The passenger coach is a little bit heavier and when loaded will be heavier still.

Mr. DENHAM. But what is the revenue we are getting out of the passenger car?

Mr. LLOYD. I am suggesting that you get the same amount of revenue from each. Would not that be right?

Mr. DENHAM. If you give the same amount of revenue I should think it would be right. The passenger comes to the train and gets on and off of it.

Mr. LLOYD. I am talking about compensation for pulling the train.

The CHAIRMAN. You are undoubtedly receiving more for the passenger service per car-mile than the mail service per car-mile.

Mr. DENHAM. That is the same kind of service on the same train. I should think we certainly could pull them for the same pay.

Mr. LLOYD. I think there would be a difference, but I think it would be in favor of the mail as against the passenger.

Mr. DENHAM. Why do you think that?

Mr. LLOYD. I think there are some things in costs that would be charged to the passenger service that would not be chargeable to the mail service.

Mr. DENHAM. Not at present, because we have to furnish the passengers water.

Mr. LLOYD. You have to have ticket agents and service of that kind and overhead charges that you do not have on the mail.

Mr. DENHAM. There is a big overcharge with the mail. We are relieved from selling the tickets; that is the only thing, but every other expense enters into the factor of handling of both cars.

Mr. COLEMAN. Is it not true wherever you have a ticket seller you have men to handle the mail too?

Mr. DENHAM. Yes.

Mr. COLEMAN. You do not have to deliver the passengers?

Mr. DENHAM. No.

Mr. COLEMAN. You are not responsible for him after he leaves the step of the coach?

Mr. DENHAM. No.

Mr. LLOYD. As a practical proposition you do deliver the passenger. He may jump on or off the train himself, but after all you put him on the train as a legal passenger, and you take him off of the train.

Mr. DENHAM. But there is no expense attached to that.

Mr. LLOYD. There is the expense of your conductor to see that he gets off and on; there is the brakeman and the box on which he has to step, and the helping of women and children out of the coach.

Mr. DENHAM. There is the same responsibility so far as the mail is concerned; that is, he has to see that the mail is put on. We perform the same service for both.

Mr. LLOYD. You are conveying the idea that he did not perform any service for the passenger, but he does.

Mr. TUTTLE. Are the people in your part of the country inclined to think the railroads are paid more than they are entitled to for carrying the mails?

Mr. DENHAM. No, sir.

Mr. TUTTLE. You think they are satisfied?

Mr. DENHAM. We have been trying to educate the people down there. When we tell the people what the railroad pay is for carrying the mail they are surprised, and they say, "The Government is robbing you, and I agree with you."

Mr. STEWART. Do you tell them you get $1.47 a ton-mile?

Mr. DENHAM. No; I tell them we get $1.34 for hauling the mail those 4.44 miles. They say, "Why don't you throw it off of the train?"

Mr. STEWART. You are getting $1.47 a ton-mile for your service on that road?

Mr. DENHAM. Even with that the road is losing money.

Mr. LLOYD. Your road is not losing money because of the mail?

Mr. DENHAM. Yes, sir. It is there for the benefit of the public out in that country.

The CHAIRMAN. Have you any further comments to make?

Mr. DENHAM. No, sir.

The CHAIRMAN. We thank you.

Mr. PETERS. Mr. Chairman, I would like to present Mr. Blomeyer.

## STATEMENT OF MR. E. F. BLOMEYER.

The CHAIRMAN. Mr. Blomeyer, will you kindly state your name and your official occupation?

Mr. BLOMEYER. E. F. Blomeyer. Residence, Chattanooga, Tenn. I am vice president and general manager of the Tennessee, Alabama & Georgia Railroad.

Mr. Chairman, I have not much to say in regard to this matter, but what I say I believe will be pertinent. I am. unfortunately, in charge of one of those roads Mr. Hardin spoke of this morning, although it is more so, if anything. My road is one of the poor roads of the South, and there are very near 30 of them in the State of Georgia, about 25 in the State of Alabama, some 15 or 20 in Florida—small, independent roads that were originally mostly logging roads, but when the timber was cut off, they developed into common carriers. The road I represent was formerly the Chattanooga Southern. It has had three receiverships, and I do not know what other trouble since it has been in existence, about 23 years. It runs from Chattanooga, Tenn., to Gadsden, Ala., a distance of about 92 miles. Formerly, before Mr. Hitchcock introduced his econom-

ical divisor, the road was paid about $4,605 per annum, or at the rate of $48.75 per mile per annum. Now it is paid, under the present method of dividing, $42.75 per mile per annum.

Mr. LLOYD. What is the amount?

Mr. BLOMEYER. The amount in dollars and cents is $3,944.04. It was $4,606.80, making a decrease of $662.76, due to the method of dividing established some years ago. We were decreased from 8 cents per train mile, under the old method, to 6.8 per train mile, the present method. I took up with the department—with General Stewart—several months ago the question with respect to the increase of 5 per cent authorized by Congress and was informed that the initial rate by reason of the parcel post on our line amounted to 12 per cent, or 21 pounds; that under their weighing in the early part of 1912 our average weight was 183 pounds; that adding the increase of 12 per cent, or 21 pounds, it would make a daily weight of 204 pounds, so that they dropped the larger portion of the fraction of the 12 per cent figures and 21.96 pounds, and they dropped the ninety-six one-hundredths fraction of a pound and gave us only 21 pounds, so that we are just below the 211-pound minimum. I contend that the increase is anywhere from 25 to 50 per cent, by reason of the parcel post. I have some statements from agents, besides my own observations. For instance, I have a written statement of one agent before the parcel post was established, where he states he handled about 50 pounds of mail per day, and he now handles from 150 to 200 pounds per day. Others show various increases ranging from 25 to 200 per cent. The best information our conductors got from the postal clerks was that the increase was about 25 per cent. I feel very certain it runs over 25 per cent. Had we been given the 25 per cent we would have come under the next rate of pay, and it is a manifest injustice to permit a postal clerk or field agent, whoever he is, to determine the increase in weights without some method of weighing, something to go by more than his visional judgment.

The CHAIRMAN. Are all these computations, so far as you are aware, based on visional judgment.

Mr. BLOMEYER. The computations of my agents are based on rather lifting judgment, I should say, because they carry this mail to the post office from the railroad station along the line, and where they did carry it on their shoulders they now provide themselves with push carts and other methods of handling. That brings about the other matter which the railroads were up against, providing additional pay for agents for handling the increased mail, or providing outside labor.

The CHAIRMAN. If it will not disturb you, I would like to ask General Stewart what the method of the department was for making the computations.

Mr. STEWART. You will recall that we recommended to Congress a weighing, but that it was not deemed advisable by Congress to provide for such, and we were authorized to allow not exceeding 5 per cent additional to the pay then given to certain railroads. There must be some basis upon which to allow this $1,700,000.

The CHAIRMAN. What was the basis?

Mr. STEWART. No officer of the department can authorize the payment of that amount of money without a basis, and, therefore, the only recourse we had was to secure the very best estimate of the

increase in weights from our field officers, and they were made by the chief clerks and the superintendents in the field.

The CHAIRMAN. Were they actual counts of the weights, or visional?

Mr. STEWART. They utilized various methods to arrive at their conclusions, but probably not actual weights to any extent.

The CHAIRMAN. In their report to you did they describe their method of ascertainment or determination?

Mr. STEWART. I am not sure about that, but I think not. I would not say that there was any considerable weighing.

As to the estimates of the agents of the railroad company, the agent can be very easily misled by the amount of the mail that he individually handles. It is not a question of how much goes on or off at one place, but the question of average daily weight over the whole length of the route, so that one man might be handling considerably over 25 per cent, but unless it was handled in the same proportion everywhere and carried in the same proportion over the whole route the average daily weight would be increased a very much less per cent, and that is not understood generally by the railroad men.

Mr. BLOMEYER. I understand that, Gen. Stewart, and I believe that is offset. We will say down at the other end of our line there is practically no increase, or we will say the increase is 15 per cent, while up here on the first 25 miles the increase is from 150 to 200 per cent. I claim that the large increase on the first 25 miles of the line, with the middle part of the line showing an increase of about 50 per cent, taking it as a whole, I am certain that the increase will run anywhere from 25 to 50 per cent. Your estimate of 12 per cent produces figures just 7 pounds below the next scale of pay and deprives us of the additional $6 per mile per annum, not to speak of the 5 per cent increase. Gen. Stewart writes me that the average weight being 183 pounds, and the estimated increase only 12 per cent, it produces 204 pounds, that therefore we are not brought up within the next schedule of pay, and we are not entitled to any portion of the 5 per cent increase. They stop 7 pounds short of the next schedule of pay.

The CHAIRMAN. That might happen under the actual weighing?

Mr. STEWART. We do not stop short. It is your weight that stops short.

Mr. BLOMEYER. That is where we differ, as to rates.

Mr. STEWART. We could not arbitrarily increase your weight in order to give you a dollar more.

Mr. BLOMEYER. We could weigh it if you would permit it, but, as Mr. Hardin said this morning, we know that you will not permit it; but it could be readily determined by a weighing of one week, that we are not only entitled to the increased schedule, but entitled to the 5 per cent in addition, and that is the contention that we are going to make. As to the proposed bill, I did not see this until to-day, but I have gone over it pretty carefully. We run an apartment car on our line with a mail compartment of 12 feet 2 inches. It stands to reason the department would cut that down to 10 feet, and here is the result: The old rate before the divisor was established was $4,606.80 per annum. The present rate, under the present method or provision, is $3,944.04 per annum for 10 feet, which is equal to one-sixth of a 60-foot car.

Mr. LLOYD. Forty feet is a full car?

Mr. BLOMEYER. I must have read this wrong, then. Do I understand, then, that we would get 10 feet, we will say, of a 60-foot car, or one-sixth of 18 cents per mile, or 3 cents per mile, for that 10-foot apartment?

Mr. LLOYD. How do you figure that?

Mr. STEWART. That is right; you prorate the space used to a 60-foot car basis.

Mr. BLOMEYER. Then I will show the result on that basis.

Mr. TUTTLE. The third paragraph on page 1058 provides for the payment of apartment cars.

Mr. BLOMEYER. Now, this is what we would get if we have an apartment of 12 feet. It stands to reason that the apartment would be cut down to 10 feet in order to have it conform to one of the general sizes established, and not increased to 15, which, perhaps, is not necessary. Therefore, 10 feet, on the basis of 18 cents per car mile for a 60-foot car and on the same equivalent for the $1.40 per car terminal charge—we run only one mail train the round trip over the line and therefore we have the 4 terminals or starting points—therefore I have taken 4 times $1.40, which produces $5.60 and one-sixth of that amount to 93 cents per day, and the whole thing would bring us compensation of $2,006.16 per annum, or a reduction from 6.8 cents per mile to 3½ cents per mile, or a reduction in dollars and cents of from $3,944.04 to $2,006.16, or a decrease of $1,937.88. That is the result of the space basis. There may be cases where little roads of 20, 30, or 40 miles long, which run 4 or 5 mail trains a day, where this charge would amount to something, but in our particular case with the two trains, or one round-trip service per day, you will see it means a reduction of mail pay to our road of 50 per cent.

The CHAIRMAN. Mr. McBride, have you any comments to make on the correctness of that computation?

Mr. MCBRIDE. I have not followed the process.

Mr. LLOYD. Mr. McBride figured that at 15 feet instead of 10.

The CHAIRMAN. How do you assume, if the department has 12½ feet of space, that it requires, that they will be able to contract that into 10 feet.

Mr. BLOMEYER. I claim that it is more likely that 12 feet and 2 inches will be reduced to 10 feet than it will be increased to 15 feet, for that makes 2 feet 8 inches one way as against 2 feet 2 inches the other way.

The CHAIRMAN. How are you going to compress that in bulk?

Mr. BLOMEYER. That can be done from the arrangement of the car. While on that subject, allow me to make this statement: That while we would have this mail apartment of 12 feet 2 inches, we have an express baggage department combined of 17 feet 2 inches, the express takes about one-half of that 17-foot space and we earn, we will say, $5,650 as against $3,944 for 12 feet 2 inches.

The CHAIRMAN. That is what you get from the express company as revenue for the business you perform according to that number of feet used?

Mr. BLOMEYER. Yes, sir. My contention is that no pay to the small roads for an apartment less than one-half of the 60-foot car would be equitable. In other words, my contention is that not less

than 9 cents per car mile for any sized apartment would be fair. In other words, we should have the minimum for any sized apartment for the small roads in order to make the pay compare favorably with the express and with the passenger earnings.

The CHAIRMAN. Your company has no interest whatever in the express company?

Mr. BLOMEYER. None whatever.

The CHAIRMAN. I say you have no interest?

Mr. BLOMEYER. No.

The CHAIRMAN. So that your revenue is purely paid by the express companies, with no ownership in the express business on the part of your company to you for performing that service.

Mr. BLOMEYER. Entirely so.

Mr. LLOYD. In that connection it might be interesting to know whether your express business has increased or decreased in the last 12 months?

Mr. BLOMEYER. I endeavored to make a comparison the other day, but it was not satisfactory, for this reason. In August, 1912, we rearranged our contract with the Southern Express Co, and where we formerly obtained 45 per cent of the gross revenue on express freight handled, under the contract, we were allowed 51 per cent of the express freight traffic that ran up an immediate increase, and there was an increase all through the year 1913 attributable largely to the increased percentage in the contract. I have yet to determine what effect the parcels post has on the express on our line, but that can be determined this year when we have a comparison against 1913.

The CHAIRMAN. In that connection I would like to know how much you paid for side service.

Mr. BLOMEYER. You mean for the mail service?

The CHAIRMAN. Yes.

Mr. BLOMEYER. That, so far, has not cost us anything because where we have agents they handle the mail, and at Chattanooga the Government takes care of the terminal service, and at Gadsden, the other end of our line, the porter takes care of our terminal service, so that the terminal and side service is of very little consequence to us. Our line is peculiar in that respect as compared with the other short lines in the South.

Mr. STEWART. What is the average daily weight of your express matter?

Mr. BLOMEYER. I really do not know. I want to say the reason our express has been holding up is that the whisky shipments out of Chattanooga, Georgia, and Alabama have been pretty active during the last year under some of the laws, and they can not go by parcels post. About everything else has gone by parcels post.

Mr. STEWART. Can you make an estimate of the weight of your express matter?

Mr. BLOMEYER. Yes, I can. Whenever I have gone into the express car, all I would see is a bunch of these cartons of whisky going to Gadsden, Ala., into a dry county, and there is practically nothing else in the express car of late.

Mr. TUTTLE. Is not the Kenyon bill effective so that it prevents the shipment of liquor into dry States?

Mr. BLOMEYER. Not in individual packages.

Mr. STEWART. Does it fill up the car pretty well?

Mr. BLOMEYER. No. I should say it would not amount to more than three or four hundred pounds a day. That is my opinion, but the rate is pretty high.

Mr. STEWART. Then in making a comparison between the revenue from express and mail, it should be understood that you are carrying double the amount of express matter as of mail matter, for your average daily weight of mail is only 200 pounds.

Mr. BLOMEYER. That may be true, but, as I stated, that is carried in little more than half the space taken by the Post Office Department.

Mr. STEWART. How would you justify making a charge against the Government for 30 feet of car space to handle 200 pounds of mail matter?

Mr. BLOMEYER. I am not advocating the car space. In fact, I do not want car space. I want the pay to continue as at present, but I want to get the benefit of everything we are handling. Here is a case: We weighed this mail early in 1912, right at the time when everything was dead; the ore mines opened up immediately after the weighing, and the mail got heavy all up and down the line, and on the weight determined in that weighing of 1912 we have to carry the mail at that same rate, notwithstanding the annual increase of 5, 10, or 15 per cent of the ordinary mail, outside of the parcel post. For the next four years we have to conform to the weight established in that period of 90 days in the first part of the four years.

Mr. LLOYD. Have you examined the bill introduced with reference to the annual weighing?

Mr. BLOMEYER. No; I have not. I have not seen that. I think that is the only equitable method—an annual weighing and payments based upon the weight carried. I am speaking now for the short roads, and I do not know what the troubles of the large roads are.

The CHAIRMAN. So far as you are concerned, that is the unanimous opinion of practically all of the short lines?

Mr. BLOMEYER. I know it to be, so far as I have talked to any of the short-line roads of the South.

Mr. LLOYD. In your judgment, what should be the change in the existing law with reference to compensation to your railroads?

Mr. BLOMEYER. It occurs to me that the first scale of 200 pounds, or 211 pounds, as they happen to be, should be $50 per mile per annum, the next schedule at $75, and as the weight increases the increase would be proportionately less.

Mr. LLOYD. But you commence with $50 instead of $42.75.

Mr. BLOMEYER. Yes, sir.

Mr. LLOYD. Do you insist, as the others do, upon pay for apartment cars?

Mr. BLOMEYER. I believe, just as Mr. Nichols said, when we rent the Government a house on wheels that they ought to pay a little rent for it. I think something ought to be paid for that. We pay the owners of other railroads for the use of their freight cars 45 cents, and the cost for the upkeep of that car is considered along with the rate charged for freight traffic, and it ought to be considered in passenger, mail, and express.

Mr. LLOYD. What do you think of the plan of the Government owning its own R. P. O. cars? Would not that relieve you people of a great deal of responsibility?

Mr. BLOMEYER. Yes.

Mr. LLOYD. Would not that be especially beneficial to these little small roads that can not buy these cars?

Mr. BLOMEYER. Yes; if the Government would go into the matter of furnishing such cars as the roads require; that is, combination mail, baggage, and express, and in some cases combinations of all four, mail, baggage, express, and passenger, such as we have. We have a car divided into three parts—one-third mail, one-third express, and one-third passenger. If the Government could provide such cars as R. P. O. cars for the roads, it seems to me it would relieve the railroads of a great deal of burden.

Mr. BALDWIN. How about the cost to the Government?

Mr. BLOMEYER. Fortunately, we would not be concerned about that if they are going to build cars and furnish them to us rather than rent our cars.

Mr. BALDWIN. You would have to be paid for hauling them?

Mr. BLOMEYER. I do not know but what we ought to agree to haul them if they furnish them. That is the way I look at it.

Mr. TUTTLE. You would have to rent the passenger, baggage, and express space?

Mr. BLOMEYER. No; we would expect that free for hauling the mail car.

Mr. TUTTLE. It would be a complicated system?

Mr. BLOMEYER. It would be complicated; yes, of course.

The CHAIRMAN. Have you anything further, Mr. Blomeyer?

Mr. BLOMEYER. No.

The CHAIRMAN. We thank you for your views.

## STATEMENT OF MR. W. M. BLOUNT.

The CHAIRMAN. Mr. Blount, will you kindly give your name and your official occupation?

Mr. BLOUNT. Mr. Chairman, I am the president and owner of the Birmingham & Southeastern Railroad, which was built by individual capital and some borrowed money. We carried United States mail and in purchasing the road which we have there I notified General Stewart of the conditions, and he very readily relieved me of the conditions. We found we were running at a loss of $20 a month, and I notified him and he very nicely relieved me of that.

The CHAIRMAN. How long is that road?

Mr. BLOUNT. Fifty miles long. I am going to build 100 miles more. I have owned several roads in the South, and I find that these roads in the beginning have to carry mail, and the small amount of $42.50 per mile is not commensurate with the service, for the reason that in one instance if a letter from Union Springs is sent over my line it can be mailed 3 hours later and reach New York 12 hours earlier than if sent by the trunk lines that run through my town and leave at 6 o'clock. But there is not enough in that to warrant pay for it, because the mail between New York and the Springs is not so great. The point I want to discuss here is the financial standpoint. I am not an operator. If you will allow me to come right down to facts, I regard the space proposition as illogical from the standpoint that to-day I am paying more money than I did 10 years ago, and the prospects are the cost of operation has doubled. My ties to-day are

costing me twice as much and the cost of building a railroad is very much higher. We expect that increase to continue.

When I went into the railroad business 15 years ago the cost of the railroad operation was half what it is now. Or, in other words, it costs twice as much to-day—that is, the cost of building and operating. We are called upon by the Government to-day to keep our equipment in condition, right up to date. There is no objection to that, but we are required to. An inspector went out on one of my trains the other day, and he found 75 per cent of the air leaking. I have not a shop of my own, but I have to rely upon other people to take care of my equipment, but we have to carry more equipment than formerly. Instead of being able to build a road at $10,000 per mile it is costing from $15,000 to $25,000 per mile. I paid $25,000 a mile for a little road the other day. These things are much higher, and from a sound financial standpoint we do not look for them to be decreased, and therefore the rates to-day, you might say, for space the next day would be much higher. The cost of carrying a car increases yearly, and I think the weighing of the mails should be done yearly, otherwise I think it would be a very serious problem.

The CHAIRMAN. Why does not your same objection apply to the weight?

Mr. BLOUNT. It applies to the rate in this, that perhaps the amount we are getting for the mail is commensurate with the service, save that of weight, and we are preparing facilities to-day for four years ahead. I am building a road into a new territory that does not give much freight, because there is not much there. As we go along the Government has the advantage of a four-year's increase, which we calculate should be 10 per cent, therefore, at the end of the year we have performed services of 40 per cent less than they are willing to pay us for. I think it quite an injustice that we should not have a weighing once a year.

The CHAIRMAN. Replying to your argument as to the benefit of space and weight, it seems to me the viewpoint is quite applicable to space.

Mr. BLOUNT. On the weight of the mail we get the benefit of the increase. For instance, in the Birmingham district in which I operate, we had probably the largest increase of any city, save Cleveland, in the business there. We had to take care of that business for four years without having a reweighing. As to the space part of it, the space on that train to-day is worth very much more money than it was two years ago. We did not have a demand for space, we did not have the requirements, and we could sell our space for more to-day.

The CHAIRMAN. Could you sell your weight for more to-day?

Mr. BLOUNT. My line is a new line and I deal with the railroad commission of Alabama, and they very readily allow me to increase the rates when they see that it is low. For instance, they made a ruling of fertilizer, and I know the president of the commission very well and I went to him and took my gross rate. I said, "If you apply the fertilizer rate to my whole tonnage, how much money would that produce?" and he gave me the figures; and then I said, "Where would I be with my operating expenses?" They very

readily changed that and gave us a better rate. There we can get relief, but when you put rates into law the Government can not change the rates. It is a very serious problem, and I would not want to invest my money in a railroad where the operation cost me more and the rate could not be changed on the possibilities of the return for that money.

The CHAIRMAN. Is not your whole argument applicable to the desirability of an elastic rate—a cumulative rate or graduated rates commensurate with service performed and with changes in conditions—rather than to the question of whether space or weight should be the determinant factor?

Mr. BLOUNT. The point I suggest is this: That we have worked out this rate problem. I have no trouble in going to my general freight agent and saying to him, "I wish you would work out this rate and tell me about what you can afford to do it for."

The CHAIRMAN. Then you would be an advocate of a scheme to go to a Postmaster General to make the rate for each road?

Mr. BLOUNT. That might be, but there is such a large field in which he has to operate that you probably could not reach that for a long time. In the meantime your expenses are going ahead. It takes a long time to make an investigation from Washington away down in Alabama. I own a compress in Alabama, and we have had that before the commission here—the operation of it for seven or eight years, bring it up before the Interstate Commerce Commission. In the meantime the press has made no money and could not make it. We have the press, but we have been pressed. There is one other thing I am interested in and that is, that the northern division of my line will probably always be a heavy mail line. The southern division, owing to the number of lines it crosses, will always have very light mail. If I have an apartment coming down from Birmingham through to Milstead, say, 100 miles, and from Milstead down south to a contemplated line, what would we do? On the northern division we would have the heavy line, and on the southern division we would practically have nothing, because it is the cross-country line and we could not control the mails to the centers.

Mr. LLOYD. On the space basis you would get paid for whatever you started with.

Mr. BLOUNT. I do not know how that was, but if you go down there 100 miles you say that might be put into a division, and when you go 100 miles further you have another division.

The CHAIRMAN. It would be a division between the lean and the fat?

Mr. BLOUNT. Yes; and we would have to have cars.

The CHAIRMAN. And you are afraid you would get the lean?

Mr. BLOUNT. Yes.

The CHAIRMAN. Would it not equalize?

Mr. BLOUNT. I think we would get the lean because we would be operating a car on the southern division as we are to-day, with a very light mail, and on the northern division I understand that the parcel post there has increased. It seems to me we are approaching a proposition that requires serious consideration from a financial standpoint.

The CHAIRMAN. We have found that out for over a year?

Mr. BLOUNT. I am taking it individually. This is a new matter with me. I am a railroad builder; that is my business, to build and operate a railroad, and finally to sell it to some trunk line, so they can operate it more profitably. I have been on this line for 12 years and I have my individual money in it and I am directly interested in it.

Mr. LLOYD. Would you say, with reference to this bill, it would be applicable to the weight system, because your idea seems to be that your company ought to be helped to meet the additional expense from time to time?

Mr. BLOUNT. No. We have no apartment cars. As I see it, we would have to buy apartment cars.

Mr. LLOYD. Would you want apartment cars pretty soon?

Mr. BLOUNT. It might be, but we could not change an apartment car on a railroad that is going to get a 10-foot or 20-foot car. I think it is a very serious matter when you come to changing this system that has been so well tried out.

Mr. STEWART. You would not have to supply an apartment car under the new law any quicker than you would under the old law?

Mr. BLOUNT. I do not know anything about that, but I think we are really more at a loss to know, because we do not know much about this new law.

Mr. STEWART. The proposed law would not make any great changes in the service. Take it just as we have it to-day, it would continue practically with the same plant we now have, with increases from time to time as the needs of the service grow. We would not call upon you for an apartment under the proposed law any sooner than we would call upon you for an apartment under the present law.

The CHAIRMAN. Are there any other witnesses, Mr. Peters?

Mr. PETERS. No. We haven't anyone else, Mr. Chairman.

The CHAIRMAN. Are there any further comments that any of you gentlemen desire to make to the commission at this session?

Mr. PETERS. Mr. Chairman, in regard to the next meeting, on Tuesday, as I understood, Mr. Stewart was to bring out some new points in regard to express rates and express weights and he was also going into the broad field of freight rates.

Mr. STEWART. Not freight rates, but we will discuss your division of expenses between passenger and freight, which involves the freight earnings to some extent.

Mr. PETERS. Mr. Chairman, we will want to answer that and discuss it very freely. We do not want to prolong these hearings. Would it not be possible for Mr. Stewart to put his statement in the form of a brief, let us have a copy of it, let us study it and make our brief and submit it to him, and then come before you in two weeks or two weeks and a half and be prepared to settle these hearings when we come together, without asking for another statement, and let us try to close the hearings then?

The CHAIRMAN. It is the desire of the committee to come to a conclusion as soon as possible, but I think you will agree the committee has evinced no desire to take advantage anywhere.

Mr. PETERS. You have been most fair to all of us.

The CHAIRMAN. I think if we reserve decision in that matter until after we get the statement and see what it is, then you may be able to make your comment when the statement is submitted without any

desire for further time. If you require further time in order to familiarize yourself with the presentation made, so far as we can, I assume that the committee will be glad to extend to you a reasonable time, but it is the desire to come to a conclusion just as soon as possible and expedite matters.

Mr. PETERS. All of us would like to do that. The members of our committee come from a long distance—many of them from Chicago and St. Louis, men who have other work to do—and it requires a great deal of care, thought, and preparation to answer these statements that are going into the record under oath, and we want to know we are right from our position. I think if it was possible to have that statement presented here and printed and a copy sent to us we could study it and make our answer, and when we come here we would try and close the matter up.

Mr. LLOYD. I think you have one wrong idea. Both sides seem to be working on the theory that this is a lawsuit; you must keep on filing pleadings. We are anxious to get through with the pleadings.

Mr. MACK. Our thought, in the suggestion of Mr. Peters, was that when a statement is made and it is fresh in mind that we would be able to answer it and discuss it immediately, rather than at a subsequent time, and we thought it would be much more useful to your commission, and I might say personally in consideration for ourselves, in the matter of trouble. We believe this would be more useful to your commission than to have a statement made to-day or next Tuesday, and then the following week come along with an answer to it. What we are trying to do is to join the issue in order to thrash it out when the statement is made, and we think we will be able to do that if we have a statement before it is formally presented, and, if necessary, the discussion of the proposition at once rather than at two different times. I should think that would be an advantage to your commission, as it stands now. For instance, there is a statement made by the railroads and answered by the department at a subsequent time, and then a further answer by the railroads, and in that manner it just prolongs the joining of the issue.

The CHAIRMAN. We will take an adjournment until Tuesday morning at 10 o'clock. I think it would be wise for the representatives of the railroads to be here, and if it evolves that there are questions that develop which they want to take up later we can grant an extension of time.

(Thereupon at 5 o'clock p. m. the hearing adjourned until Tuesday, March 24, 1914, at 10 o'clock a. m.)

## LETTER FROM THE POSTMASTER GENERAL.

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., March 24, 1914.*

Hon. JONATHAN BOURNE, Jr.,

*Chairman Joint Committee on Postage on Second-class Mail Matter and Compensation for the Transportation of Mails, Congress of the United States.*

MY DEAR MR. CHAIRMAN: I hand you herewith a statement prepared by the Second Assistant Postmaster General in reply to the statements made before the joint committee on February 26 and March 16, 1914, by the railroads' committee on railway mail pay respecting compensation for the transportation of the mails.

Yours very truly,

A. S. BURLESON,
*Postmaster General.*

## A STATEMENT ON BEHALF OF THE POST OFFICE DEPARTMENT IN REPLY TO STATEMENTS OF FEBRUARY 26 AND MARCH 16, 1914, BY THE RAILROADS' COMMITTEE ON RAILWAY MAIL PAY.

The paper read by the chairman of the railroads' committee on railway mail pay before the joint committee of Congress February 26, 1914, in reply to the department's statement of January 16, 1914, is an attempt at detraction from the official work of the officers of the Post Office Department presenting the matter under consideration and the reiteration of the railroads' committee's contention regarding the method of dividing expenses between the freight and passenger services and the assignment of space in passenger trains to the mail service. It is conspicuous for its failure to specifically reply to the material matters set out in the department's statement referred to.

The officers of the department believe that the questions before this joint committee should be decided purely upon the facts and the merits and therefore decline to enter into a controversy with the railroads' committee concerning the relative merits of the personal work of those representing the railroads and those representing the department in fields of inquiry disassociated from the one under consideration. However, in reviewing the statements made by the railroads' committee, such notice will be taken of their statements of the character referred to as may be necessary to correctly state the facts.

The statement opens with an assertion that the officials of the Post Office Department showed—

> a lack of acquaintance with the proper method of pursuing the inquiry, a lack of familiarity with the factors employed, and a lack of appreciation of the financial elements which had to be dealt with. It is also evident that there was a lack of knowledge on their part as to the origin of the inquiry.

So far as this statement relates to methods, factors, and elements the preceding paper of the department of January 16, 1914, amply disposes of such general and unsupported assertions. As to the claim regarding lack of knowledge as to the origin of the inquiry the only meaning this appears to have is gathered from the context in which reference is made to the Hubbard commission appointed under the act of July 12, 1876, and whose report was made April 1 and April 5, 1878. The inference to be drawn is that the present inquiry before this commission is practically the inquiry which was commenced and reported upon by the Hubbard commission. As pointed out in the statement of January 16, 1914 (hearings, p. 1020, et seq.), the railroads' committee have been insistent upon connecting the present

inquiry with previous inquiries made by prior commissions in years past and upon totally different methods of securing and handling data. That these inquiries and their results can have no controlling influence upon questions that are now presented before this commission has been repeatedly pointed out by the department. Furthermore, the statement in this connection, on page 1064, regarding the passage of the act of 1879 requiring the Postmaster General to request certain data from the railroad companies carrying the mails and report the same to Congress with recommendations and the assertion that it was not until 30 years later that the Post Office Department submitted the required report would lead the joint committee to believe that no steps were taken either by the department or by Congress during those years to comply with either the letter or the spirit of the law, as all mention is omitted of the effort of the department made immediately after the passage of the law of 1879 to secure the information and its inability to do so because of the imperfect reports of the railroad companies and their neglect to comply with the department's requests, and also of the work of the several commissions authorized by Congress thereafter, special reference to which may be found in the record and in the annual reports of the department. Are the railroads' committee unacquainted with these facts? And if not, why were they not mentioned in this connection where they are material, if reference to any part of the subject is at all material?

DOCUMENT NO. 105.

Under the heading "The incompleteness and the inaccuracy of Document No. 105," the railroads' committee restate objections heretofore presented and submit arguments based upon incomplete statements of fact or facts of a wholly inconsequential nature so far as the main inquiry is concerned.

In their first paragraph on page 1065 they claim that the Post Office Department commenced preparations for the inquiry in 1906, "and, therefore, were engaged upon it five years before Document No. 105 was published." From this statement and what follows it would be inferred that the subject matter of Document No. 105 as presented in the main was under preparation by the department for five years and that the railroad companies neither participated in the benefits of the five years' consideration nor were responsible for extending the period beyond what might have been a reasonable one. As a matter of fact these inferences are untrue. The department issued its first forms to the railroad companies on March 2, 1907, to all railroad companies carrying the mails. By these instructions they were required to furnish the department for a period of three months from July 1, 1907, certain information as to operation, receipts, and expenditures. It soon became evident that without further instruction the scope of the inquiries would not be understood uniformly by the companies and requests were received from them to postpone the period until such time as representatives of leading companies would be able to confer with the department and among themselves and agree upon a uniform method of procedure and treatment (report Second Assistant Postmaster General, 1907, p. 7). This postponement was agreed to by the department's officers at the

request of representatives of the railroad companies following a conference had at the department. The officers of the department were diligent in pursuing the matter thereafter. On July 15, 1907, the Acting Second Assistant Postmaster General wrote to the assistant to the president of the Pennsylvania Railroad Co., whose special representative, Mr. Charles M. Sheaffer, had been one of the principal representatives of the railroad at the conference referred to, calling attention to the postponement and the desire of the department to secure the data to be furnished at the earliest practicable date and requesting to know what had been done by the companies in that respect. Again, by letter of January 20, 1908, the Second Assistant Postmaster General wrote to the assistant to the president of the Pennsylvania Railroad Co., as follows:

Referring to the correspondence relative to the preparation of reports covering data as to the cost of mail service, etc., and your letter of July 17, 1907, I have now to inquire whether your committee has completed its work and will be ready soon to consult with the department upon the subject. It is very much desired that a time in the early future be fixed for securing this information, and I shall be obliged to you if you can have the matter given early consideration.

The company replied to this under date of January 31, 1908.

Again, on June 25, 1908, the Second Assistant Postmaster General addressed a further letter to the assistant to the president of the Pennsylvania Railroad Co., as follows:

Kindly refer to the correspondence commencing in May, 1907, and continuing to last February, in regard to the result of the conference had at my office between Mr. Sheaffer and the representatives of other companies, upon the part of the companies, and Mr. Stewart, upon the part of the department, regarding the matter of arriving at an understanding as to the scope of the answers to be submitted by the railroad companies to the inquiries forwarded by the department asking for certain data showing the cost of operating the mail service, etc., as provided for by law.

Nothing has been heard from you since your letter of January 31, 1908, in which you stated that the committee representing the accounting and transportation departments of your system had been giving the subject careful attention and outlining suitable blanks, etc., that it was assuming tangible shape, and that you felt that in the near future you would be prepared to have your representatives consult further with the department.

The securing of these data has now been deferred almost a year, and it is felt that the department would not be warranted in further delay. The Postmaster General has expressed a desire that the matter be taken up without delay and the information secured.

The date for the commencement of the period during which the companies will be asked to keep their records has not been fixed, but will be decided upon at an early day. In the meantime I shall be pleased to hear from you in regard to any further representations you wish to make.

In reply to this, on July 9, 1908, the Second Assistant Postmaster General received from the assistant to the president of the Pennsylvania Railroad Co. the following letter:

Replying to your letter of June 25, relative to the furnishing of data by railroad companies showing cost of operating mail service, etc., as provided for by law, I beg leave to state that we have not overlooked the subject. We have had a number of meetings of the committee composed of representatives of our lines east and west of Pittsburgh, and also of the New York Central lines, and recently the committee met and finally agreed upon the form which it was thought would meet the situation, both from a department and railroad point of view. I send you herewith a copy of the form, and would be glad to arrange for the committee to meet your department people whenever it may be convenient.

In reply to this letter the Second Assistant Postmaster General on July 22, 1908, sent the following:

Your letter of the 8th instant, forwarding copy of form prepared by your committee for adoption and use in furnishing data by the railroad companies showing cost of operating mail service, etc., is received. I shall be glad to have you arrange for your committee to meet our department people at this office some day early next week. Kindly advise me at your early convenience when this may be.

Thereafter the conference so arranged was held in the office of the Second Assistant Postmaster General on August 4, 1908, at which there were present besides the officers of the department the representatives of the Pennsylvania Railroad, the Pennsylvania Co. West, the Northern Pacific Railway, the Minneapolis, St. Paul & Sault Ste. Marie Railway, the Wabash Railroad, and the Great Northern Railway for the railroad companies. At this conference Mr. Tomlinson, representing the Pennsylvania Railroad, submitted to the department the suggestions agreed upon by the Pennsylvania Railroad and the New York Central & Hudson River Railroad, the railroads' committee at that time, and a thorough examination and discussion of the forms submitted by the parties present followed. On August 13, 1908, the department sent the forms suggested by the companies in modification of the department's plan to a number of railroad companies for suggestion, to which response was made during that and succeeding months.

The preparation of the final forms was by the Second Assistant Postmaster General referred to a committee, who continued the work and conferred with the representatives of the Pennsylvania and New York Central & Hudson River Railroad Cos., and reported in March, 1909. The forms were finally completed, and the Postmaster General, on August 6, 1909, authorized their issue for the securing of data from representative routes in the several classes of service. This was done, and afterwards the inquiry was extended to cover data for all railroad routes.

It will be seen, therefore, that the inquiry was postponed at the request of the principal railroad companies, and there was mutual cooperation between them and the department to provide a plan which should be practicable, and that the benefits of such delay as occurred were participated in as fully by the railroad companies as by the department.

It was not until after the last issuance of the forms above referred to that the present railroads' committee appear to have been organized and became first known to the department. They held a conference in Washington on October 22, 1909, at which no representative of the Post Office Department was present or invited to be present, at which time they drew up certain instructions which they afterwards sent to all the railroad companies, in which they directed them how to make their reports to the Post Office Department. In many of the instances these directions varied from the instructions given on the blanks sent out by the department. The railroad companies were requested by them to forward their reports to the Post Office Department in duplicate to the chairman of the railroads' committee in Chicago, and informed that after collating the same the originals would be returned to the railroads for transmission to the Post Office Department and the duplicates retained by the railroads' committee.

On page 1067 of the hearings they say that the railroads started in 1909 in a spirit of sincere cooperation with the Post Office Department, and, notwithstanding the rejection of their offer of assistance, endeavored to make a satisfactory response. It is presumed that the rejection mentioned of offer for further cooperation during the progress of the work refers to the specific offer of that committee to participate in the department's special work of checking the reports from the railroad companies and compiling the statistics therefrom. The following are copies of letters from the chairman of the railroads' committee referring to the oral proposition made to the officers of the department:

CHICAGO, *February 5, 1910.*

HON. JOS. STEWART,
*Second Assistant Postmaster General, Washington, D. C.*

DEAR SIR: I am advised by Mr. Baldwin and Mr. Hale of their interviews with the Postmaster General and with yourself in regard to the totaling of the reports from the various railroads made in accordance with the request of the department, and desire to confirm the proposition that we should be very glad indeed to furnish you with the totals which we are making, and should also be glad, in case you find it desirable, to send a representative from the department here to check up our work.

We are very much disappointed that you have not seen your way clear to accept this suggestion. I understand that the department's estimate for this work is $10,000, which can not be available until July 1. We are offering you the figures free, and we think they will be ready at a very much earlier date.

Of course we are making this offer because we feel it absolutely essential to progress in this matter that our totals and the totals of the department shall be the same, but I am sure you will agree that it will be of equal advantage to the department to eliminate any possible causes of controversy in details. Under the circumstances I trust you will be able to accept our totals and assure you we will welcome any precaution which you feel is essential to secure accuracy.

Yours, truly,

J. KRUTTSCHNITT, *Chairman.*

CHICAGO, *March 25, 1910.*

HON. JOSEPH STEWART,
*Second Assistant Postmaster General, Washington, D. C.*

DEAR SIR: Our committee would very much appreciate a reply from you to my letter of February 5, offering our cooperation in consolidating reports being made from the various railroads in compliance with the request of the Post Office Department.

Will you kindly let me hear from you at your early convenience?

Yours, very truly,

J. KRUTTSCHNITT.
W. A. W.

To these letters the following reply was made:

MARCH 29, 1910.

MR. J KRUTTSCHNITT,
*Chairman Committee on Railway Mail Pay.*
*Grand Central Station, Chicago, Ill.*

SIR: I have your letter of the 25th instant, referring to an earlier one of February 5, offering your cooperation in consolidating reports from the various railroads, in compliance with the request of the Post Office Department.

The proposition submitted has been given very careful consideration, and I do not think that cooperation in the manner suggested would be practicable or desirable. I think your committee will appreciate as fully as I do the fact that the duty of receiving, examining, checking, and compiling the information submitted by the railroad companies devolves upon the department and that any determination reached in a different manner would fail to meet the requirements of the law, which requires the Postmaster General to secure this information and transmit it to Congress with such recommendation as he may see fit to make. Accordingly the House of Representatives has incorporated in the

pending appropriation bill an item appropriating $10,000 to enable the Postmaster General to do this work through the employment of temporary clerks under the supervision of this office. As soon as the bill passes the amount will become immediately available, and the work will be taken up accordingly. In the meantime the department will give such attention to the reports as is practicable with our existing force. If the companies make returns of the information as requested by the department there will be no difficulty or delay in the handling of the information secured.

Very respectfully,

JOSEPH STEWART,
*Second Assistant Postmaster General.*

It will be observed from this correspondence that the railroads' committee sought to induce the officers of the department to accept the totals obtained by the employees of such committee instead of relying upon the independent efforts of the officers and employees of the department in ascertaining the same in accordance with their duty prescribed by law. In oral conferences it was pointed out to the representatives of that committee that such a course would vitiate any finding which the department might make and would be wholly inconsistent with the duty devolved upon the Postmaster General by law and by his obligations in the premises. This evidently is the cooperation which is referred to by the railroads' committee as that which was refused by the department. In my judgment the department's course was the only proper one, and, in view of the outcome, there can be no doubt about its wisdom.

On pages 1066 and 1067 the railroads' committee discuss the statements made by the department that the results of Document No. 105 show that it is possible to approximately divide the total operating expenses of the railroads between passenger and freight services and to ascertain the space relation between passenger proper, express, and mail services and assign to these several classes the direct expenses and apportion the unassigned expenses upon the ratio of the space devoted to each of the three classes of service. The discussion upon these statements amounts to nothing more than a quibble.

In the first place, the railroads' committee separated the statement made by the department, which appears on page 988 as one sentence, divided only by a comma, into two separate and distinct propositions, placing one in a separate sentence upon one page and the other in a separate sentence upon another page, following each by a separate argument. This separation of the sentence destroyed to some extent the meaning of the paragraph, for, although each proposition made by the department is true taken separately, they were stated as one whole and were intended to be considered as such.

It is needless to say that although the Pennsylvania Railroad Co. and the Atchison, Topeka & Santa Fe Railway Co. have made an effort for a number of years to separate expenses between passenger and freight services, these facts in no wise discredit the department's statement that the results of Document No. 105 show that it is possible to approximately divide these total expenses. When it is pointed out that out of the 430 reports submitted to the department from railway companies and systems only 319 made any effort to make a division between freight and passenger expenses, although an effort was made by the railroads' committee to induce all of them to make such division on the basis which that committee suggested, and that only 124 furnished reports in the manner desired by the department, it will be seen that the problem of a division of such

expenses by the companies generally is given but little consideration by them.

The criticism of the department's statement that it was shown to be possible to ascertain the space relation between passenger proper, express, and mail services, and assign to those several classes the direct expenses, and apportion the unassigned expenses upon the basis of the space devoted to each of the three classes of service, is based upon the small per cent of direct expenses assigned. It must be evident that the small amount of direct expenses assigned does not sustain a valid criticism against the statement that it was found possible to assign the direct expenses and apportion the others. Plainly the railroads' committee have not been able to understand the import of the plain language of the department's statement. Furthermore, the fact that only a small part of direct expenses for mail service were assigned can be a criticism only against the imperfect and incomplete reports made by the companies themselves.

The comments made on pages 1067 and 1068 with respect to the large per cent of gain shown in exceptional cases of short-line railroads must fail of any force upon an examination of the statistics upon which they are based. They are mathematically sound and are the inevitable result of the elements upon which they are based. That there can be no valid criticism against the statistics of Document No. 105 arising from such isolated cases is shown by the fact that the railroads' committee have at all times been willing to accept the statistics modified by their own ascertainment of a division of expenses between freight and passenger services and of the space devoted to the mails. That an argument of this character should be presented to the commission, devoting its best efforts to ascertain the facts and to reach a solution of as serious and large a question as railroad-mail pay is to be regretted, but such is the character of much of the matter included in the railroads' committee's paper, found in volume 9 of the hearings.

### THE QUESTION OF OVERPAYMENT.

There is nothing new on this subject presented in the paper of the railroads' committee. Their position is restated, and their claims reiterated, with respect to two elements involved in the ascertainment of Document No. 105, namely, the division of expenses between freight and passenger services and the assignment of passenger space to the mail service. These matters have been fully discussed by the department in the statement of January 16, 1914, volume 7 of the hearings, pages 1009 to 1020, inclusive, and pages 1035 to 1049, inclusive, to which the attention of the joint committee is again respectfully invited. It is noteworthy that the railroads' committee have made no effort to discuss or to refute the statements made by the department in the pages above referred to except in the few remarks made on pages 1069, 1070, and 1071 of their paper, and these remarks are principally predicated upon a letter written by Mr. Kruttschnitt, at one time chairman of the railroads' committee, and dated December 20, 1911.

The railroads' committee have apparently failed to keep up with the information which has been submitted to the joint committee upon these features of the inquiry. This is evidenced by the omission

of any discussion of the matters from time to time presented by the department and especially in the statement of January 16, 1914, and is further shown by such expressions as that found on page 1069, to the effect that "there was no publication of the expenses at railroad stations or of terminal service or of personal transportation of officers and employees of the Post Office Department, although this information was furnished to the Postmaster General." As early as January 17, 1913, the Post Office Department, replying to the document issued by the railroads' committee and published in the Preliminary Report pointed out that no items for these expenditures could be used specifically unless the individual accounts, including such expenditures, were also segregated and reported separately to the department in order that when the apportionment of expenditures on the car-foot-mile basis should be made the department should not participate in a double charge for the same service, and that the department had assigned to the mail service such expenses for those items as were reported by the companies in this manner and apportioned to it on the basis of car-foot miles performed in the mail service, a portion of the sum of such like expenses unaffected by the already assigned direct expenditures (Preliminary Report, p. 104). If these items had not been used in this manner the department would have participated in this charge twice. There were other valid reasons why the reports of the companies could not be accepted for the total of these items given by them, and these may be found on page 103, Preliminary Report. Furthermore, the sufficient reasons were stated in Document No. 105 and also in subsequent papers filed by the department as to why it was impracticable to deal specifically with the matter of personal transportation.

The railroads' committee have presented to the joint committee new claims respecting underpayment for mail service, which vary as greatly in amounts as the methods by which they are reached are unreliable. Before the filing by the department of its statement of January 16, 1914 (hearings, vol. 7), clearly showing overpayment, the railroads were claiming underpayment of $15,000,000, although their own statistician, who filed for them a paper published in the hearings, claimed an underpayment of only about $3,000,000 per annum (hearings, p. 84)[1]. Now, we are told on page 1068 that the underpayment is nearly $38,000,000; on pages 1073 and 1074, by using the railroads' percentages, the result will show an underpayment of $29,000,000; on page 1074, by using one of the railroads' disputed percentages, the underpayment will be over $17,000,000, and that by using another it will be over $6,000,000, and finally, on page 1076, they declare that they are underpaid $15,000,000. And this is not all, for in an exhibit filed with their statement it is attempted to be shown that upon one basis the underpayment is over $20,000,000 and upon another over $13,000,000 (hearings, p. 1087).

What possible weight can be given to processes and the use of elements which will produce such varying results and what value can be placed upon the results themselves? It is evident that the railroads' committee have no definite or accepted basis in which it has

[1] When Mr. Newcomb's figures are corrected they show a gain for the mail service of $1,271,586 with the elements he uses. The true gain was shown by the department to be $1,616,532 (hearings, p. 996).

sufficient confidence to commend unreservedly to the joint committee and rest its case thereon.

The results obtained by the railroads' committee are based upon the application of two rates per cent differing from those used by the department, namely, 34.42 per cent as that part of the total operating expenses and taxes divisible to the passenger service, and 9.32 per cent as that part of the passenger traffic operating expenses and taxes chargeable to the mails. The department used 29.21 per cent as the first and 6.68 per cent as the second.

The railroads' committee obtained the first rate per cent 34.42, as the share of operating expenses and taxes apportionable to the passenger service by reason of adhering to and insisting upon the use of the revenue train-mile ratio for the apportionment of the unassigned operating expenses.

This method was abandoned by the Interstate Commerce Commission many years ago and, although it may be used to some extent by the companies at the present time for comparative purposes, it is believed that the results obtained thereby are not used for purposes of rate making (hearings, p. 883). The method is based on the theory that a passenger-train mile and a freight-train mile are equally expensive, "an unjustified assumption" as said by Dr. Lorenz. How incorrect and unreliable this is has been shown in the statement of the Post Office Department of January 16, 1914, and will be further considered hereinafter.

The railroads' committee obtained the second rate per cent, namely, 9.32, as that part of the passenger-train space devoted to the mails by charging against the mail service all portions of cars used in connection with the mail service where such space or operation exceeded the authorization or needs of the mail service and in disregard of the proper and equitable rules of the department limiting the charge to its proper scope. This will be given further consideration hereinafter. Before passing, however, attention is invited to the fact that the railroads' committee have committed a serious error in the use of their percentages. In their computations to show underpayment they have substituted their per cent of 9.32 for the department's per cent of 6.68, thus showing a lack of understanding of the problem and the elements to be used. A discussion of this point appears on page 463 of the hearings. The 9.32 per cent claimed by the railroads' committee represents per cent of car-foot miles and is comparable with 7.18 per cent ascertained by the department and shown in Table 6F, page 269 of Document No. 105. The 6.68 per cent used by the department in apportioning to the mail service a share of the passenger part of $599,635,450 (hearings, p. 996) represents per cent of passenger traffic operating expenses and taxes chargeable to the mail service (p. 280, Document No. 105) and not car-foot miles. On their theory of the correctness of 9.32 per cent as representing car-foot miles they should have used 8.409 per cent, which would approximately represent the ratio of passenger operating expenses and the taxes chargeable to mail service. This error made a difference in the railroads' committee's figures of $7,658,175, being that much more than their own theory justified.

Before submitting further, and it is believed, conclusive evidence that the railroads' committee are wrong in both their claims it will be permissible to notice and appropriately reply to certain assump-

tions of superior competency of railroad experts and reflections upon the officers of the department made by the railroads' committee and found on page 1075. The broad assumption is made that postal officials, even if fully competent to understand and apply the statistics of the postal business to postal operations, are not equally competent to render similar service respecting railroad statistics, and the inference is presented that their work in connection with this inquiry suffers in a comparison with that of railroad experts. Their assumption would command reasonable consideration had the railroads' committee contributed anything whatever worthy of consideration in support of their contention for the rule for the division of all common and unassigned expenses which they followed, or if they had pointed out in what respect the department's plan was inferior to their own or theirs entitled to higher consideration than the department's. This they have utterly failed to do. If railroad accounting and rate making stood commended before the public, the Interstate Commerce Commission and authorities on the subject, there would be at least prima facie grounds for the assumption of the railroads' committee that railroad men are most competent and reliable in those fields. Inasmuch as the question has been presented to the joint committee by the railroads' committee with the evident purpose of accrediting railroad methods and discrediting departmental methods it will be appropriate to call attention to at least one of the many criticisms by disinterested parties. Attention is respectfully directed to the paper "Certain considerations in railway rate making," by Hon. Balthasar H. Meyer, a member of the Interstate Commerce Commission, published in the Railway Age Gazette of January 9, 1914, some quotations from which were set forth in the department's statement of January 16, 1914 (hearings, pp. 993, 1006, 1007). Among other things Mr. Meyer says:

> One might suppose that the railways in this country would fairly vie with one another in producing the most scientific cost data in regard to their respective operations which the best talent can compile. With a few conspicuous exceptions, the exact contrary is the fact.

And again, in speaking of cost accounting and its application to railway transportation, he says:

> Institutional reforms are rarely effected from within and the railway is no exception.

A most remarkable case of the unreliable handling of statistics and expense items by a railroad is discussed in the decision of the Interstate Commerce Commission of February 9, 1914, in "No. 933, St. Paul & Puget Sound accounts; in the Matter of Rates, Practices, Accounts, and Revenues of Carriers Subject to the Act to Regulate Commerce."

In an effort to support their assumption the railroads' committee refer to the presentation before the Hughes commission by the department's officers of the case respecting the cost of carrying and handling second-class mail matter. After stating that the department's officers revised their estimates again and again to meet the repeated criticisms directed against them, with the final result that the distinguished commission entirely rejected the great item of "General Post Office Service" expenses, the railroads' committee continue:

> * * * It may be fairly contended that when they found that their efforts in their own familiar field were not sufficiently convincing to satisfy the Hughes

commission, they would have been justified in entertaining some doubt in regard to the propriety of urging that their estimate of the proper division of railroad expenses should supersede the estimates of experienced railroad officials and railroad accountants.

The truth of the matter is that the Hughes commission, after a most exhaustive analysis and searching examination by the commission and attorneys for the periodicals of the data and tables presented by the officials of the department, accepted the department officers' apportionment of cost to second-class mail matter, of all expenses of railroad transportation, all other transportation, railway post-office car service, Railway Mail Service, rural delivery service, and miscellaneous expenses directly assignable, these being all the items of expenses with the exception of that for general post-office service and for miscellaneous expenses not directly assignable, and did not make any finding with respect to the latter items for the reason that a sufficient basis for apportionment was not presented, and this resulted not from any lack of ability on the part of the officers of the department to make such apportionment but solely because the postmasters' reports upon which it was necessary to rely in making such apportionment were insufficient and incomplete. It will therefore be seen that the results for which the officers of the department presenting the case were responsible were fully accepted by the Hughes commission, and the railroads' committee in making the reflection have been either unable to understand the report or so disregardful of facts as to inferentially misrepresent them.

Frequent reference is made in the report of the Hughes commission to the work of the officers of the department in connection with the inquiry, and no word of condemnation is found in it. With respect to the original finding, the commission say:

> We shall have frequent occasion to refer critically to these records and computations, but it may now be said that it is entirely evident that the officers of the department devoted themselves to their difficult task with the sincere desire to use every means at their command to accomplish the purpose of Congress and to secure trustworthy results upon which an accurate determination and apportionment of cost could be made. (Message of the President of the United States, transmitting the report of the Commission on Second-Class Mail Matter, etc., pp. 20 and 21).

It is not to be supposed that in a controversy between the great periodical publishers' interests and the Post Office Department as to the cost of carrying and handling second-class mail matter the most strenuous efforts were not made to break down the department's finding. With respect to these and the judgment of the Hughes commission thereupon the following excerpt from the report is pertinent:

> Many objections have been made to various points in the methods of computation and some of these have been argued with earnestness. Those which appear to the commission to be important have been discussed. With the others it is unnecessary to deal in detail. The fact that they are not mentioned does not mean that they have been overlooked. It is sufficient to say that in our judgment they rest upon misunderstandings of the evidence or of the methods adopted and their significance. Some of them were based upon the assumption that if a result could not be proved to be exactly accurate it must be valueless, whereas in matters where precise accuracy is of necessity unobtainable an approximation must be deemed satisfactory if the limits of error are too small to affect the value of the result for the purposes for which it is used. (Id., p. 81.)

If the facts were known to the railroads' committee it would appear the interpolation of reference to such matter in their statement, in the incomplete manner in which presented, could have no other intention than that of misleading the joint committee.

### THE RAILROADS' COMMITTEE'S ERRONEOUS 34.42 PER CENT.

It is appropriate now to examine further the claim of the railroads' committee that the operating expenses and taxes apportioned to the passenger service were 34.42 per cent of the total, instead of 29.21 per cent as found by the department. The error of this claim will be shown by the following:

(1) The claim of the railroads' committee is based solely upon an arbitrary method of apportioning common expenses between freight and passenger services upon the antiquated theory "that a passenger-train-mile costs the same to run as a freight-train-mile." The claims in support of this method are discussed in the department's statement (hearings, pp. 1009 to 1013, inclusive), and reasons briefly given as to why the method is unreliable and should not be accepted for such purpose. Furthermore, in Exhibit A to said statement (hearings, pp. 1035 to 1049, inclusive) the method is examined in greater detail and its application to specific systems shown to result in conclusions which are so palpably erroneous as to condemn the method employed. It is noteworthy, as stated hereinbefore, that the railroads' committee have made no attempt to answer the arguments and facts set forth in the exhibit and in the text of the statement.

(2) Notwithstanding the assumption upon which the findings of 34.42 per cent is based, namely, that it costs as much to run a passenger-train-mile as a freight-train-mile, a division of the total operating expenses and taxes on the basis which the railroads' committee claim to be correct results in an ascertainment of a cost of $1.934 per freight-train-mile and $1.165 per passenger-train-mile. This result proves that this assumption is untrue.

(3) The Pennsylvania Railroad Co. shows by its annual report for 1909 that on the basis of the division of expenses between freight and passenger services, to which general practice of the Pennsylvania Co. the railroads' committee has referred (hearings, p. 1066), it cost the company $2.449 per freight-train-mile and $1.394 per passenger-train-mile.

(4) The railroads' committee applied its rule of division to the unassigned expenses, the per cent of which to the total expenses may differ widely for the different companies and systems. If the rule be true for such a considerable part of the expense it should be approximately true when applied to all of them. But if the rule be so applied to all operating expenses the result would be $1.508 (the average cost per train-mile for both classes of service for the fiscal year 1910) as the cost of each freight and passenger train-mile. This would reduce to 5.186 cents per freight-car-mile and 28.55 cents per passenger-car-mile. This result is obviously incorrect and inconsistent with the result of the application of the railroads' committee's assumption of 34.42 per cent as the passenger ratio of cost resulting in an ascertainment of 6.65 cents as the cost of a freight-car mile and 22.07 cents as that of a passenger-car mile.

(5) The application of the per cent claimed by the railroads' committee, namely, 34.42, as the passenger share of total expenses and taxes produces a result as to surplus or deficit which is obviously incorrect and not sustained by any other data. This is made apparent by the following table of statistics for 1910:

*Totals for railroads carrying mails.*

| | Total. | Freight. | Per cent. | Passenger. | Per cent. |
|---|---|---|---|---|---|
| Revenue of mail-carrying roads [1] | $2,610,266,694 | $1,856,421,673 | 71.12 | $729,646,544 | 27.95 |
| Unallocated revenue [2] | 24,198,477 | | | | |
| Operating expenses and taxes, railway mail pay committee basis | 1,842,594,096 | 1,208,354,751 | 65.58 | 634,239,345 | 34.42 |
| Operating ratios | 70.59 | 65.09 | | 86.93 | |
| Net revenue (taxes included in operating cost), railway mail pay committee basis | 767,672,598 | 648,066,922 | 84.43 | 95,407,199 | 12.43 |
| Charges against income, railway mail pay committee basis | 599,635,450 | 393,240,928 | 65.58 | 206,394,522 | 34.42 |
| Surplus | 168,037,148 (Net.) | [2] 272,195,661 | 161.99 | [2] 104,158,513 (Deficit.) | 61.99 |

[1] Total revenue for mail roads, based on statistics for fiscal year 1910, Interstate Commerce Commission, p. 71, and mail-revenue statistics, Report of Second Assistant Postmaster General, 1910, p. 15.
[2] Result after adding to allocated revenue the $24,198,477 unallocated revenue apportioned on ratio of total allocated revenues for freight and passenger.

It is thus seen that on the theory of the railroads' committee the passenger service on railroads carrying mails appears to have been operated in 1910 at a loss of $104,158,513, and that the freight service on such railroads produced a surplus of $272,195,661, an amount sufficient to pay the deficit in the passenger service revenue and produce a net surplus of $168,037,148. Furthermore, on the same theory, it appears that the passenger service on all railroads (I. C. C. statistics for 1910 and 1911) was operated at a loss of $111,420,950, and that the freight service was operated at a plus of $283,481,156, an amount sufficient to offset this vast deficit in the passenger-service revenue and produce a net surplus of $172,051,206; and yet the railroads are now before the Interstate Commerce Commission petitioning for an increase in freight rates on the theory that railroad rates are inadequate. It must be evident that the two propositions can not be true and that the above application of the railroads' committee's theory demonstrates the *reductio ad absurdum.*

(6) The operating ratio (the relation of all operating expenses and taxes to revenue) for the fiscal year 1910—

| | Per cent. |
|---|---|
| For railroads carrying the mails was | 70.59 |
| For all railroads | 70.04 |

The operating ratios deduced from the railroads' committee's apportionment between freight and passenger services were—

| | Per cent. |
|---|---|
| For freight | 65.09 |
| For passenger | 86.93 |

And for all railroads—

| | Per cent. |
|---|---|
| For freight | 64.59 |
| For passenger | 86.25 |

The operating ratios deduced from the department's apportionment were—

| | Per cent. |
|---|---|
| For freight | 70.26 |
| For passenger | 73.77 |

It is evident that the ratios resulting from the department's division of expenses are more in agreement with businesslike administration of the railroads than are those presented by the railroads' committee. It would not be impossible for the operating ratio of one main class of service to be radically different from that of the other, but the presumption is strongly against such an average condition as a result of long years of businesslike administration of the railroads, and it appears improbable when no other data can be found which will support it.

(7) The general average cost per passenger-car-mile, according to the special reports made to the Interstate Commerce Commission for the year ended June 30, 1912, by 64 railroads, was 19.41 cents, and this notwithstanding the fact that the prevailing method used by them for dividing expenses between freight and passenger services was revenue train-miles. (Hearings, p. 883.) Dr. Lorenz states that this was somewhat lower that it would have been for all roads. On pages 887 and 888 of the hearings Dr. Lorenz shows the minimum as 17.50 cents and the maximum somewhat over 19.41 cents. Compare these results with the result deducible from the railroads' committee's contention presented here, namely, 22.07 cents, and it is apparent that the latter can gain no support from the examples of actual cost so reported by the companies.

(8) The effect of the use of 34.42 per cent instead of 29.21 per cent is shown in the following:

The accounts to which the train-mileage ratios are applied by the railroads' committee in making a division of expenses to the two classes of traffic aggregate over 50 per cent of the total operating expenses ($921,297,048), which, divided on the basis of revenue train-mileage (all roads), gives 46.56 per cent to passenger service. This makes an apportioned passenger cost of $428,955,905. But if the total ($1,842,594,096) be divided on the basis of 34.42 per cent to passenger service, it gives the total cost of passenger service as $634,239,345, which shows the amount of $205,283,440 as that part of the passenger cost which may be assigned to passenger service on a basis of fact. The department's total charge to passenger service was $538,224,224. Subtracting the $205,283,440 therefrom, leaves $332,940,784 as the apportioned part, but the railroads' committee used revenue train-mileage as a basis, which apportioned $428,955,905, a difference of $96,015,121, or 17.84 per cent increase in passenger cost due solely to the use of revenue train-mileage as a basis of apportionment.

From the foregoing considerations it will be evident that the assumption of the railroads' committee that the passenger portion of the operating expenses and taxes is 34.42 per cent of the whole is unsupported by and is contrary to all conclusions deducible from the facts and, furthermore, in its application produces in every instance an absurd result.

THE RAILROADS' COMMITTEE'S ERRONEOUS 9.32 PER CENT.

The other erroneous rate per cent used by the railroads' committee in reaching its results which it has submitted to the joint committee is that used as representing the per cent of operating expenses and taxes of passenger service apportioned to the mails. This as used by the railroads' committee is 9.32 per cent instead of 6.68 per cent, as used by the department.

As pointed out hereinbefore the 9.32 per cent represents the claim of the railroads' committee of car-foot miles in the mail service, and not per cent of operating expenses and taxes of passenger service apportioned to the mail service. It is therefore not comparable with the rate per cent (6.68) used by the department for this purpose, and if any comparison is to be made it should be made with 7.18 per cent, that being the per cent of car-foot miles in the mail service as ascertained by the department. (Table 3, p. 59, Doc. No. 105.) The error in using 9.32 per cent in the computations of the railroads' committee instead of a reduced per cent representing per cent of operating expenses and taxes, resulted in an erroneous charge against the department in their computations of $7,658,175 upon their own theory of the case as pointed out hereinbefore.

But the 9.32 per cent is itself incorrect, because it represents the car-foot miles of alleged mail service computed upon the maximum space and operation of train service reported by the railroad companies without regard to the needs of the service, the authorizations of space and the equitable rules of the department governing the fair charge. This matter has been thoroughly discussed not only in the oral hearings but particularly in the department's statement of January 16, 1914, pages 1013 to 1017, inclusive. There will be given here, however, additional reasons and data which will make it apparent that the railroads' result can not be considered.

(1) The 9.32 per cent is materially affected by the nonmail car-foot miles which were either not reported to the railroads' committee or which, having been reported, were erroneously charged to the mail service. Of the total of 26,864,608 nonmail car-foot miles of roads which rendered reports to the railroads' committee, 14,990,260 car-foot miles were not reported to the committee, so far as the department is aware, but were obtained by departmental inquiry thereafter. Of the 11,874,348 nonmail car-foot miles which were reported to the railroads' committee, the committee erroneously charged 2,486,600 of the same to mail service. There were 2,779,617 nonmail car-foot miles otherwise reported upon inquiry made by the department of roads that did not report to the railroads' committee. When these corrections are made they affect the railroad's figures given on page 71 of the hearings by reducing their mail per cent to 9.28 from 9.32 as stated thereon. Even if the railroad's basis could be accepted, this change would further affect the rate per cent of operating expenses and taxes chargeable to the mail service reducing it to 8.383 and making a further reduction of $218,564 in their estimate on page 1073.

(2) Again, their per cent of 9.32 is shown to be erroneous by a comparison of the results to which it leads as to the average load per

car and the estimated car-mile earning when compared with the known facts in regard to these items. For instance, we have the actual pound miles per annum for all mail service ascertained by a special tabulation as of April 30, 1913. This gives 510,827,522 ton-miles per annum. Dividing this into the total mail pay per annum (annual rate) as of that date, gives a ton-mile rate of 10.04 cents. The estimated car miles of mail service on a prorated 60-foot car basis on November 30, 1913, were 225,633,845, which gives an average load per car of 2.264 tons. Applying the rate per ton-mile this produces an estimated rate per car mile of 22.73 cents. These are approximately exact figures. Now, let us take the prorated car miles in the mail service November, 1909, as claimed by the railroads' committee, and which are based on the 9.32 per cent referred to. Increasing this number by 7.95 per cent (being the rate per cent of increase in railroad mail revenue to the railroads from November, 1909, to September 30, 1913) produces prorated car miles of 274,-824,911. This divided into the tons per annum given above gives 1.859 tons are the average load per car, and applying the 10.04 cents per ton-mile thereto, gives 18.66 cents as the estimated rate per car mile based on the railroads' committee's assumption of 9.32 per cent as representing the car-foot miles in the mail service. The material discrepancy between these unit figures—that is, the 2.264 tons and the 1.859 tons and the 22.73 cents and the 18.66 cents, the 2.264 and the 22.73 being known factors, discloses that there is without reasonable doubt serious error in the elements by which the latter series is obtained. This error, of course, is in the car-foot miles represented by the 9.32 per cent claimed by the railroads' committee.

(3) Again, it is evident that either the car-foot miles represented by 9.32 per cent, as charged against the mails by the railroads' committee are excessive or that the rates proposed by the department in the suggested bill are on the average too high and should be materially reduced. By applying the average cost per car mile under the suggested bill (20.91 cents) to the 274,824,911 car miles (the railroads' committee's prorated car miles of November, 1909, raised 7.95 per cent to the basis of November, 1913, as above stated) produces an annual pay of $57,465,888.89 as against the actual compensation received as of that date at an annual rate of $55,410,775.28.

From the above considerations it is clearly seen that the per cent of car space charged to the mail service by the railroads' committee is excessive. As frequently pointed out this arises from the fact that the railroads' committee made unwarranted and excessive charges against the mail service for space. The sole claim in defense of these figures is that the department's per cent of 7.18 is too low because of the rejection of certain dead space and the charge of the same to the passenger service. The rules under which the tabulation was made have been fully set out at different times in the record (preliminary report, p. 102, hearings, pp. 1015, 1016) and have been discussed during the hearings. The precise character of the space which was reported by the railroad companies and charged to the mail service by the railroads' committee, but charged as " dead space " by the department, can not be ascertained for every route or system and specifically placed before the joint committee for examination without a complete retabulation of the thousands of sheets at a great expenditure of time and labor, which are not available. However, in order to

present the joint committee with a fair example of the department's tabulation of space the Missouri Pacific system has been selected and a complete reexamination of the sheets has been made. This system was selected because it was mentioned at the hearings and the department undertook to make an examination of the record and submit the result. The complete statement of the differences between apartment and full railway post-office car space reported by the companies comprising the Missouri Pacific system, and as tabulated by the department, showing the reasons for the charges to "dead space," is set forth as Appendix A hereto. It must be remembered that the statement does not cover any case where the space was tabulated as reported. An examination of this statement will convince the members of the joint committee that the changes made by the department in the tabulation of the car-foot miles, with the very few exceptions which have been noted therein, were proper and in accordance with the facts as known to the department and will, it is thought, be equally convincing as showing that the companies did not overlook any space that might under their conception of the matter be charged to mail service.

The review and recalculations made have not taken into consideration the changes in closed-pouch space due to the application of the department rule or those changes in the car-foot mileage resulting from errors in distance or in multiplication, of which there were a considerable number, although their effect was slight when compared with the total results.

### THE CHARGE OF SPACE TO THE MAIL SERVICE.

As shown hereinbefore the claims of the railroads' committee as to the total car-foot miles chargeable to the mail service are unreliable, when tested by the general results produced by the use of the per cent so claimed.

As to specific claims regarding the charge of space to mail, "deadhead" or "dead space," nothing further need be said as to the reiterations of the claims of the railroads' committee other than to specifically refer to the statements heretofore made by the department, especially pages 1013 to 1017, inclusive. The statement of the railroads' committee on this point confuses the elements to be dealt with and the manner in which they were treated by the department, mingling error with statement of fact and irrelevant matter. For instance, statements on page 1079 would lead to the belief that the department did not credit the return movement of a 60-foot authorized car, if it were not used for mail purposes or if it were used in lieu of an apartment car, whereas it was the rule in such cases to give full credit for the return movement where the running was necessary for the maintenance of the authorized car service (hearings, p. 1016). Again, on page 1079, it is stated that apartment-car service is not "authorized" in the sense that the term is really employed because such cars are not specifically paid for. This is wholly irrelevant to the discussion. In connection with full-car service the railroads' committee claims that the present method of authorization is not in accord with the rules employed in tabulating the space in Document No. 105, the latter having been more liberal in such credit of space. If this is at all relevant to

the subject, it is clearly in favor of the action of the department in the credit given in Document No. 105.

Concerning mail-storage cars, the claim is made that a large amount of space necessary in the operation of storage cars was disallowed by the department. The department credited all storage-car space where it was used for mail purposes. Where it was not so used it was charged to "dead space." It is believed that the railroad companies use such storage cars for their own purposes in many cases. The claim of the railroads' committee therefore that a large portion of this space should have been charged to mail is a claim unsupported by any definite evidence as to amount and should not be given serious consideration.

As to closed-pouch space, and the rule followed by the department whereby the excessive space claimed by the railroad companies under the instruction of the railway-mail pay committee was disallowed and charged to passenger service, much has been said during the hearings and in the papers filed. If anything further may be necessary to support the reasonableness of the department's rule, it is found in the views of one of the largest and most conservative railroad companies, and which is represented upon the railroads' committee, namely, the Pennsylvania Railroad Co. When it was observed that the reports of the railroads being received by the department showed great differences in the charge of space to the mail for the closed-pouch service, the Second Assistant Postmaster General addressed a communication to each of the companies requesting information as to the rule followed in determining the space reported. Most of them replied that they were following the rules laid down by the railway-mail pay committee (referred to herein most frequently as the railroads' committee). The Pennsylvania Railroad Co., however, did not follow those rules, and described the method they used in a letter from Mr. Sheaffer, superintendent of passenger transportation, dated July 13, 1910, addressed to Mr. Postlethwaite, assistant of the president of the Pennsylvania Railroad, and forwarded by him to the Second Assistant Postmaster General, as follows:

The average linear space used for express and mails was determined by a daily report made by the conductor of each train during the month of November, 1909, showing the square feet of space occupied. The results thus obtained were averaged for the month or such period as the train ran, and to this result, the square feet used, was added 40 per cent for aisle space and doorway space, and the ultimate result reduced to linear feet. This result was then entered on form 2601 as being the daily average, and in turn worked out for the month or for the period during which the train ran.

The allowance of 40 per cent for aisle space and doorway space for handling mails was determined after an investigation showing the usual amount of space devoted in all baggage cars for working purposes, i. e., the aisle way through the car and a clear space at the doorway.

It is perhaps proper to explain that in order that the baggage master might be able to have access to all material carried in his car and be able to both receive and deliver at all stations, that he must leave a space at each of the side doors vacant and also a small aisle-way from end to end of car.

The standard 60-foot baggage car as used on the Pennsylvania Railroad and by nearly all of the railroads in the country has two doors on each side, each 4 feet 6 inches wide. The inside dimensions of the cars are 60 feet long by 9 feet 6 inches wide, making a total of 570 square feet of floor space. The doorway space with the two doors on each side 4½ feet wide amounts to 85½ square feet, and the aisle-way space 3 feet wide and 51 feet long, eliminating the doorway space, amounts to 153 square feet, making a total of 238½ square feet devoted to working purposes, which is 41.8 per cent of the entire floor

space in the car. A similar examination of shorter baggage cars and the baggage room in combined passenger and baggage cars developed that the amount of working space in all cases was equivalent to at least 40 per cent, and this ratio was therefore adopted for general use. In figuring out the amount of space devoted to either mail, express, or baggage, the actual square feet used was taken and then 40 per cent added to this as its proper pro rata of working space.

It will be seen that the average linear space used by the mails was determined by a daily report from the conductor of each train showing the square feet of space occupied, and that to this there was added 40 per cent for aisle and doorway space and the ultimate result was reduced to linear feet. Now it must be admitted that if the linear space obtained in this manner, allowing for all the space actually used and 40 per cent additional, ascertained by the railroad officials themselves, approximated the linear space which they were entitled to under the rules prescribed by the department, it is a complete and unanswerable verification of the fairness and sufficiency of the department's rule. The fact is that the report of the Pennsylvania Railroad Co. and that of the New York Central & Hudson River Railroad Co., both of which used the rule above mentioned, showed less linear space for closed-pouch service than the computations made by the department upon the statistics of closed-pouch mails taken during the month of November entitled them to. It is submitted that no more conclusive argument need be advanced in favor of the sufficiency and fairness of the department's rule in that respect.

### THE GAUGE OF RAILROAD MAIL PAY.

Under the heading "Shall the gauge of railroad mail pay be a strictly commercial rate," the railroads' committee attempt to answer the suggestions made by the department in its statement on pages 998 to 1005, inclusive. It is submitted by the department that the answer is insufficient. Most of it is a reprint of considerations submitted by the railroads' committee June 26, 1913, before the specific claims of the department were set forth in detail and with particularity and with reasons and authorities in support of the same.

Whether the question of public utility shall enter into the determination of rates is a matter of public policy which must be declared by Congress. What are these considerations which may be urged under this principle? They are set forth in Prof. Adams's statement found on pages 1001 and 1002 of the hearings. At the risk of repetition they may be summarized briefly as follows:

The Postal Service has a sovereign character and its administration must be such as to safeguard the enduring and the collective rather than the temporary and the personal interests of the people. Because of the quasi public character of the railways the Government has the right to regulate charges for all classes of service according to the principle of public utility.

The railroads undoubtedly have the right to receive reasonable compensation for mail service, but, on the other hand, the Government has the right to insist that the transportation of mail is an essential social function; that it is imperative not alone to the present advantage of the public but to the healthful and permanent development of the State. It has the right openly, publicly, and without apology to put in practice, in the interest of the public at large, a

rule universally acknowledged by railway men in the development of their property. Railways are willing to carry special commodities at very low rates, even at the risk of incurring loss, because they are potential in industrial development and the loss thus incurred becomes a gain in the transportation of other commodities which the distribution of the one renders possible. In the same way the transmission of intelligence is an essential consideration in the growth and development of the country which sustains the railroad, and without which railroad construction and operation would be of small practical importance. Such transmission is amenable in the highest degree to the consideration of public utility and justifies an unusually low rate for mail transportation, provided that by this adjustment the gross revenue of railways is not so depressed as to deprive investors of property.

That such depression would not result from any reasonable reduction from a commercial rate is apparent from a consideration of the very small per cent mail earnings are of the total operating revenues of railways, constituting in 1910, even at the rates paid, only 1.78 per cent. No railroad of any importance could be successful in its operations without the regular, certain, and speedy transmission of the mails over its line. It is a truism which no one will controvert, that practically all commercial and industrial enterprises, as well as social intercourse extending beyond the neighborhood, depend absolutely upon the mails. As the community thus primarily depends upon the mails, in a greater degree railroads so depend, as they must rely wholly upon the communities for whose business they are constructed and operated. It must, therefore, be apparent that no commodity transported is entitled to as great consideration in the matter of rate making as the United States mails.

Attention is respectfully invited again to the full text of the department's presentation under this heading on pages 1001, 1002, 1003, and 1004, inclusive.

However, it does not require any declaration of public policy to justify giving weight to the considerations of (1) the certainty, constancy, and homogeneity of the traffic; (2) the certainty and regularity of payment; (3) the fact that railroads are not built primarily to carry the mails; and (4) the protection to their mail trains which railroads as Governmental agencies receive against unlawful acts in interference with or obstruction of the mails carried. These are elements which would enter into the question of rate making if the railroad companies were dealing with a private patron. Many other considerations, some of which are not as general in their application, are given weight by railroads in fixing rates for traffic; and there is no reason why the Government should not receive as much consideration in the determination of such a question as private patrons have received in the history of the growth of railroad rates.

The railroads' committee have attempted to minimize some of these considerations, and in such attempt have used language which is misleading to those who are not familiar with the subject. For instance, in referring to the claims for the certainty and regularity of payments statements are made regarding the discretion of the Postmaster General as to the amounts which may be paid, fines and deductions which may be assessed, and deliberation in the verification and settlement of accounts. From this it would be inferred that

the amounts fixed by the orders of the Postmaster General are varied at the discretion of the officers of the department, are subject to fines and deductions without sufficient cause or dereliction on the part of the railroads, and that settlements are delayed more than in commercial business. None of these assumptions is true. The amounts due are fixed by orders upon bases prescribed by statute and are not changed unless those bases are changed; fines are imposed only for delinquencies, and deductions are made only for failures to perform service; and settlements are made regularly, the accounts being stated promptly after the close of the month for which payment is to be made, under the following conditions:

For railroad transportation service payments are made monthly. On the routes of the large systems the accounts are stated promptly after the close of the month for which payment is being made if the companies' affidavits covering service during the second preceding month on the routes involved have been received. On these routes the warrants are usually mailed to the companies within a few days after the accounts are stated, so that ordinarily the warrants in payment should be received by the companies within 15 days or less after the close of the month for which the warrant is in payment.

On routes of small independent companies the accounts are not stated for payment until a certificate has been received from the division superintendent of Railway Mail Service, showing whether the service was in operation throughout the month. Certificates are made by the division superintendents as soon as practicable after the close of the month for which the payment is to be made and usually reach the department so that the accounts can be stated prior to or by the middle of the month following that for which payment is being made. The warrants ordinarily are mailed about six days later. Like the routes of the large systems the accounts on these small routes are dependent upon the affidavits of the second preceding month being at hand.

The affidavits mentioned are prepared by the railroad companies for each route for the purpose of showing what failures, if any, to perform scheduled mail-train service have occurred. These affidavits are transmitted by the companies to the division superintendent of Railway Mail Service and by him transmitted to the department with a statement as to whether they are correct, and if not correct, with a statement as to the discrepancies. Upon receipt of these affidavits deduction cases are prepared to cover any failures of service that may be shown. These deductions are ordinarily taken from the pay of the company for the second month following that covered by the affidavit. For instance, failures occurring in January are charged against the pay for the month of March.

The imposition of fines does not affect the date of the payments for the performance of the service, as the stating of the accounts is not held up pending the receipt of reports covering delinquencies which occurred during the month for which payment is made, but the fine cases are prepared as soon as practicable after the receipt of the reports of the delinquencies and the amounts of the fines withheld in making payments for succeeding months.

For railway post-office car service the accounts are not stated for payment until the companies' affidavits covering the performance of the service during the month for which payment is to be made have

been received. These affidavits are transmitted by the companies to the division superintendents of Railway Mail Service and by them checked with their records and forwarded to the department with proper certification as to the correctness of the affidavits.

Where deductions are necessary for failures to perform service properly, deduction cases are prepared before the accounts are stated and the amounts of these deductions are taken from the payment for the month in which the failures occurred. It is not possible to state specifically how soon after the close of the month the payments are made, because of the fact that they vary from month to month. However, it may be stated generally that on a majority of the routes the warrants are mailed to the companies within from one to two months after the close of the month for which the payment is made. In some cases where the companies forward their affidavits promptly the warrants are mailed in less than a month.

The reason for having a different rule for stating the accounts in this service from that in the transportation service is on account of the restrictions placed by law upon payments for the operation of postal cars with reference to the character of the cars and their sanitary condition, it being deemed necessary to have evidence of a compliance with the law at hand before the payments are made.

ANNUAL WEIGHINGS, SIDE AND TERMINAL SERVICE, APARTMENT CARS, ETC.

The railroads' committee have not presented anything worthy of consideration in reply to the department's statement under these headings set forth on pages 1018 to 1025, inclusive, to which attention is again invited.

The department has there shown that the claims of the railroads' committee for annual weighings and for apartment-car pay have no merit, because the present rates of pay are ample to cover the increase in weights during the four-year period and to compensate, on the average, for space in apartment cars as well as in full cars.

As to the act of March 2, 1907, reducing the pay, this, too, has been shown to have been justified, because the pay since such reduction is ample.

As to the application of order No. 412, of June 7, 1907, it may also be said that this did not reduce the pay below a fair rate for the reasons above stated. Furthermore, as before fully set out and wholly unanswered as to substance and merit, the new divisor is the correct and equitable one. In this connection it is noted that the railroads' committee have been unable to understand the significance of the use of the whole number of days in the weighing period in producing the exact mathematical average for every day in the year of 365 days. For their information it may be stated that dividing the total weight of mails during the weighing period by the whole number of days in such period produces an exact mathematical average, and that this exact mathematical average is an average for every day in that weighing period and therefore for every day in a year of 365 days, as distinguished from an average for 313 days in the year secured by dividing the weights by the number of week days in the period.

Before dismissing the matter under this heading a misstatement regarding the weighing of the mails should be corrected in order that

the record may show the facts. On page 1081 the railroads' committee states that—

> for many years following the passage of that law (of 1873) it was the practice of the department to take the weights every four years on the side lines, where the mail tons were light, and every year or two on the heavy lines, where increased growth was more noticeable and burdensome. In recent years, however, the department has changed the practice and, as a rule, has taken the weights only every fourth year.

This statement finds no justification in the facts. An examination has been made of the annual reports of the department with the following result:

Following the act of 1873 "the proprietors of all the railroad routes in the country" were called on to submit reports of weight carried for 30 days, commencing October 1, 1873, the readjustment to be made thereon to take effect from July 1, 1873. (Annual Report of the Postmaster General, 1873, p. 12.)

In the report of the following year the Postmaster General states the call of the department was very generally responded to, and upon the returns submitted pay from July 1, 1873, has been readjusted upon 415 routes. At the time of the issuance of this report some of the routes had not been heard from. (Annual Report of the Postmaster General, 1874, p. 18.)

The Postmaster General states in his report of 1875 that the readjustment under the act of 1873 on routes on which the necessary returns had not come to hand when the previous report was issued, "and also on routes in States in which a new contract term commenced July 1, 1875," as well as the readjustment on certain new routes, is shown in Table F of that report. (Annual Report of the Postmaster General, 1875, p. 8.)

In the annual report of the Postmaster General for 1876 he says that returns showing the weight of mails and other particulars respecting the service performed on railroad routes in States in which a new contract term commenced July 1, 1876, as well as in other States and Territories, are given in tables contained in the report. These tables show adjustments made to take effect from various dates, some as far back as July 1, 1873, such adjustments evidently being those on which the railroads had not theretofore responded to his first call. (Annual Report of the Postmaster General, 1876, p. 7.)

In the annual report of 1877 the Postmaster General says the readjustment of pay in New England and the States of New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, and West Virginia for the regular contract term of four years, commencing July 1, 1877, and on certain routes in other States and Territories shows a reduction in rate, etc. (Annual Report of the Postmaster General, 1877, p. 10.) The New England States and the other States named are the same States now included in the first contract section, on which the last contract term expired June 30, 1913. The term referred to in the report of 1877 as having expired that year is 36 years prior to 1913, or 9 contract terms of 4 years each. It is also to be observed that it is four years after 1873 and is therefore the first full contract term occurring after the passage of the act of that year.

In the annual report of 1878 the Postmaster General refers to the readjustment of pay on railroad routes in the States of Kansas, Nebraska, Arkansas, Louisiana, Texas, Colorado, Nevada, California,

and Oregon, and in the Territories of Utah, Dakota, and Washington for the "regular term of four years, commencing July 1, 1878," and on certain routes in other States. (Annual Report of the Postmaster General, 1878, p. 8.) The States and Territories mentioned comprise the section of the country now included in the fourth contract section, in which the present quadrennial term will expire June 30, 1914. It will be observed nine full terms of four years will have occurred between 1878 and 1914.

In the annual report of 1879 no reference is made by the Postmaster General to the readjustment of pay on railroad routes. However, Table F of that report shows the readjustment of rates of pay on railroad routes in States in which the contract term expired June 30, 1879, also in other States and on new routes. (Annual Report of the Postmaster General, 1879, p. 132.) The Postal Laws and Regulations, edition of 1879, section 574, together with an examination of this table, shows the contract section referred to was composed of the States of Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri. This corresponds closely with the territory included in the present third contract section, in which the current term will expire June 30, 1915, 36 years, or 9 full terms of 4 years each, after 1879.

Neither the Postmaster General nor the Second Assistant Postmaster General refer to the readjustment of compensation on railroad routes in the body of their reports for 1880. However, Table E of the latter report gives the same information as is set forth in the paragraph next above for the railroad routes in the States in which the contract term expired June 30, 1880. The Postal Laws and Regulations, edition of 1879, section 574, together with an examination of this table, shows the contract section referred to was composed of the States of North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Ohio, and Indiana. With the exception of the States of Ohio and Indiana, now included in the third contract section, the States named correspond with the States included in the present second contract section, in which the current term will expire June 30, 1916, 36 years, or 9 full terms of 4 years each, after 1880.

From the foregoing it is seen that after the law of 1873 was enacted instructions were issued to weigh the mails and readjust pay from July 1 of that year on all railroad routes throughout the country and that thereafter it became the rule to weigh the mails on the routes of only one section each year. It is true there were exceptions to this rule, notably in the cases of service on newly established routes, where it was the practice to authorize the transportation of the mails on the line and thereafter to fix the pay for the service on the basis of weights taken after the mails had been attracted to the new lines, but it was the general practice to weigh only those routes included in the contract section on which the term was expiring. As early as 1881 the Second Assistant Postmaster General speaks of the "regular weighing" (Annual Report of the Postmaster General, 1881, p. 100), and in 1885 the practice to weigh the routes only during the time of the regular weighing for the section in which they were located had become so well settled that the Second Assistant Postmaster General felt called on to note in his annual report that during that year, by reason of certain contracts made between the department and the

Chicago, Burlington & Quincy and the Chicago, Milwaukee & St. Paul Railroads for fast mail trains, a "special reweighing" of the mails carried on these and on parallel and competing roads was ordered in compliance with the conditions of the contracts, and readjustments of pay thereon were made. (Annual Report of Postmaster General, 1885, p. 243.) In his annual report for the following year the Second Assistant Postmaster General, in commenting on the comparative reduction in the annual increase in cost for railroad transportation, makes the following statement:

> The explanation of this reduction, it is confidently believed, is to be found, first, in the fact that during the past fiscal year there were no special weighings outside of the regular quadrennial weighings, although numerous applications were made by railroad companies for such special weighings, which were declined, the department not perceiving their justice or their necessity. These special weighings necessarily result in an increase of cost. (Annual Report of the Postmaster General, 1886, p. 181.)

In the report of 1888 a change is noted in the heading of the table showing readjustment of rates of pay on railroad routes. In the earlier reports this table was designated Table F, and showed the readjustment on routes in States in which the contract term expired during the year in which the table was published, also in other States and on new routes. It having become the settled practice to weigh only the routes in the States in which the contract term expired, the heading of this table was changed in 1888 so as to omit the statement that it contained a list of the readjustments on routes in other States than those in which the contract term had expired. At a later date the present plan of fixing pay on new routes by agreement with the operating company at a rate within the maximum that may be paid without a weighing was inaugurated and the former practice of establishing the service on such lines and thereafter weighing the mails carried and fixing pay on the basis of such weights was abandoned.

### COMPARISON BETWEEN REVENUE RECEIVED BY RAILROAD COMPANIES FOR EXPRESS AND FOR MAIL SERVICES.

Since submitting the statement of February 12, 1914, accompanied by a tentative draft of suggestions for recommendation for legislation and regulation of railroad mail service and compensation therefor, an investigation has been made of express rates between certain points fixed by Interstate Commerce Commission Opinion No. 2408, of July 24, 1913, and a comparison made between those rates and the rates of compensation paid to the railroad companies for transporting a like weight of mails between the same points. A further investigation has been made of the revenue derived by railroad companies from the service rendered the express companies as a whole before the order of the Interstate Commerce Commission above referred to became effective, and a comparison made between the same and the revenue received by the railroad companies as a whole from the Post Office Department for the mail service on their lines.

The results are so remarkable as to justify their submission to the joint committee for consideration in connection with the rates which have been suggested in the tentative draft above referred to and the contentions of the railroads' committee that such proposed rates are too low. The railroads' committee have named certain

differences claimed between the two services, but these differences have not been appraised at any specific value. Furthermore these differences would be considerably reduced if the department's suggested plan be adopted.

In this connection it should be remembered that the compensation paid the railroads for mail service is for all classes of mail service, including the transportation of first-class mail, while the compensation received by the railroads from express companies is for the transportation of articles of merchandise principally.

### COMPARISON OF EXPRESS AND MAIL RATES BETWEEN SPECIFIC POINTS.

Below will be found a table giving a comparison of actual first-class express rates as prescribed by Interstate Commerce Commission Order No. 2408, above referred to, per 100 pounds between representative points; the actual average rates of pay per 100 pounds weight of mails to the railroad companies operating railroad mail routes between such points; 50 per cent of the express rates, respectively, the amounts assumed as received by the railroad companies for the service; and the excess of the mail rate over the 50 per cent of the express rate, or the reverse where it exists.

*Comparison of express and mail rates per 100 pounds.*

| From— | To— | Length of mail routes. | First-class express rate, I. C. C. order. | Mail rate (average). | Excess of mail rate over express rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over mail rate. |
|---|---|---|---|---|---|---|---|---|
| | | *Miles.* | | | | | | |
| Akron, Ohio | Pittsburgh, Pa | 132.06 | $1.00 | $0.75 | ..... | $0.50 | $0.25 | ..... |
| Altoona, Pa | New York, N. Y | 326.86 | 1.40 | .88 | ..... | .70 | .18 | ..... |
| Anniston, Ala | Washington, D. C | 748.20 | 2.90 | 2.53 | ..... | 1.45 | 1.08 | ..... |
| Asheville, N. C | do | 476.17 | 2.20 | 1.97 | ..... | 1.10 | .87 | ..... |
| Ashland, Ky | Cincinnati, Ohio | 145.71 | 1.15 | .56 | ..... | .58 | ..... | $0.02 |
| Buffalo, N. Y | Boston, Mass | 496.90 | 1.60 | 1.37 | ..... | .80 | .57 | ..... |
| Burlington, Vt | do | 247.34 | 1.15 | 1.52 | $0.37 | .58 | .94 | ..... |
| Burlington, Iowa | Chicago, Ill | 205.57 | 1.25 | .58 | ..... | .63 | ..... | .05 |
| Cedar Rapids, Iowa | do | 218.36 | 1.25 | .71 | ..... | .63 | .08 | ..... |
| Charleston, W. Va | Washington, D. C | 387.71 | 1.75 | 1.44 | ..... | .88 | .56 | ..... |
| Chattanooga, Tenn | Cincinnati, Ohio | 338.15 | 1.85 | 1.40 | ..... | .93 | .47 | ..... |
| Chicago, Ill | Boston, Mass | 1,019.08 | 2.50 | 2.81 | .31 | 1.25 | 1.56 | ..... |
| Do | Kansas City, Mo | 454.00 | 2.10 | 1.52 | ..... | 1.05 | .47 | ..... |
| Do | Milwaukee, Wis | 85.00 | .90 | .29 | ..... | .45 | ..... | .16 |
| Do | Minneapolis, Minn | 423.79 | 2.00 | 1.19 | ..... | 1.00 | .19 | ..... |
| Do | New York, N. Y | 909.12 | 2.40 | 2.53 | .13 | 1.20 | 1.33 | ..... |
| Cincinnati, Ohio | Boston, Mass | 980.48 | 2.45 | 2.77 | .32 | 1.23 | 1.54 | ..... |
| Do | Chicago, Ill | 303.50 | 1.25 | 1.05 | ..... | .63 | .42 | ..... |
| Do | Louisville, Ky | 113.61 | .90 | .41 | ..... | .45 | ..... | .04 |
| Do | New York, N. Y | 751.33 | 2.15 | 2.09 | ..... | 1.08 | 1.01 | ..... |
| Do | Pittsburgh, Pa | 310.64 | 1.40 | .90 | ..... | .70 | .20 | ..... |
| Do | St. Louis, Mo | 339.36 | 1.50 | 1.28 | ..... | .75 | .53 | ..... |
| Clarksburg, W. Va | Washington, D. C | 276.43 | 1.25 | .97 | ..... | .63 | .33 | ..... |
| Corinth, Miss | Memphis, Tenn | 93.59 | 1.20 | .53 | ..... | .60 | ..... | .07 |
| Council Bluffs, Iowa | Chicago, Ill | 493.89 | 2.25 | 1.26 | ..... | 1.13 | .13 | ..... |
| Des Moines, Iowa | do | 357.76 | 1.80 | 1.17 | ..... | .90 | .27 | ..... |
| Deshler, Ohio | Pittsburgh, Pa | 264.66 | 1.25 | 1.40 | ..... | .63 | .77 | ..... |
| Dubuque, Iowa | Chicago, Ill | 181.97 | 1.00 | .66 | ..... | .50 | .16 | ..... |
| Elmira, N. Y | New York, N. Y | 273.08 | 1.25 | 1.13 | ..... | .63 | .50 | ..... |
| Do | Scranton, Pa | 119.08 | .90 | .51 | ..... | .45 | .06 | ..... |
| Enid, Okla | Kansas City, Kans | 392.19 | 2.00 | 2.75 | .75 | 1.00 | 1.75 | ..... |
| Fort Wayne, Ind | Chicago, Ill | 148.18 | 1.00 | .42 | ..... | .50 | ..... | .08 |
| Grafton, W. Va | Washington, D. C | 253.93 | 1.25 | .87 | ..... | .63 | .24 | ..... |
| Grand Rapids, Mich | Chicago, Ill | 177.51 | 1.00 | .76 | ..... | .50 | .26 | ..... |
| Harrisburg, Pa | New York, N. Y | 195.57 | 1.00 | .53 | ..... | .50 | .03 | ..... |
| Hattiesburg, Miss | Washington, D. C | 1,001.71 | 3.60 | 3.85 | .25 | 1.80 | 2.05 | ..... |
| Hinton, W. Va | do | 291.21 | 1.55 | 1.65 | .10 | .78 | .87 | ..... |
| Indianapolis, Ind | Rochester, N. Y | 534.31 | 1.90 | 1.77 | ..... | .95 | .82 | ..... |

*Comparison of express and mail rates per 100 pounds*—Continued.

| From— | To— | Length of mail routes. | First-class express rate, I. C. C. order. | Mail rate (average). | Excess of mail rate over express rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over mail rate. |
|---|---|---|---|---|---|---|---|---|
| | | *Miles.* | | | | | | |
| Knoxville, Tenn | Cincinnati, Ohio | 291.56 | $1.90 | $1.58 | ..... | $0.95 | $0.63 | ..... |
| La Crosse, Wis | Chicago, Ill | 282.99 | 1.35 | .81 | ..... | .68 | .13 | ..... |
| Lafayette, Ind | do | 129.12 | .90 | .41 | ..... | .45 | ..... | $0.04 |
| Lancaster, Pa | New York, N. Y | 159.82 | 1.00 | .43 | ..... | .50 | ..... | .07 |
| Madison, Wis | Chicago, Ill | 129.70 | 1.15 | .48 | ..... | .58 | ..... | .10 |
| New London, Conn | Boston, Mass | 106.09 | .90 | .31 | ..... | .45 | .14 | ..... |
| Northfield, Vt | do | 197.24 | 1.15 | 1.09 | ..... | .58 | .51 | ..... |
| Omaha, Nebr | Chicago, Ill | 488.89 | 2.25 | 1.26 | ..... | 1.13 | .13 | ..... |
| Parkersburg, W. Va | Washington, D. C | 357.88 | 1.50 | 1.31 | ..... | .75 | .56 | ..... |
| Pittsburgh, Pa | Chicago, Ill | 468.43 | 1.70 | 1.34 | ..... | .85 | .49 | ..... |
| Rouses Point, N. Y | Boston, Mass | 391.63 | 1.15 | 1.41 | $0.26 | .58 | .83 | ..... |
| St. Louis, Mo | New York, N. Y | 1,061.60 | 2.60 | 2.98 | .38 | 1.30 | 1.68 | ..... |
| Do | Philadelphia, Pa | 970.03 | 2.55 | 2.73 | .18 | 1.28 | 1.45 | ..... |
| St. Paul, Minn | Boston, Mass | 1,432.87 | 3.70 | 4.01 | .31 | 1.85 | 2.16 | ..... |
| Do | Chicago, Ill | 413.79 | 2.00 | 1.19 | ..... | 1.00 | .19 | ..... |
| Salisbury, N. C | Washington, D. C | 334.77 | 1.75 | 1.05 | ..... | .88 | .17 | ..... |
| Sayre, Pa | New York, N. Y | 269.35 | 1.25 | 1.34 | ..... | .63 | .71 | ..... |
| Selma, Ala | Atlanta, Ga | 132.03 | 1.40 | 2.96 | 1.56 | .70 | 2.26 | ..... |
| Do | Washington, D. C | 778.40 | 3.30 | 5.08 | 1.78 | 1.65 | 3.43 | ..... |
| Scranton, Pa | New York, N. Y | 135.23 | 1.00 | .61 | ..... | .50 | .11 | ..... |
| Washington, D. C | Hartford, Conn | 335.87 | 1.60 | .95 | ..... | .80 | .15 | ..... |
| Do | Huntington, W. Va | 438.51 | 1.90 | 1.65 | ..... | .95 | .70 | ..... |
| Do | Jersey City, N. J | 226.96 | 1.25 | .63 | ..... | .63 | ..... | ..... |
| Do | New York, N. Y | 226.96 | 1.25 | .63 | ..... | .63 | ..... | ..... |
| Do | Philadelphia, Pa | 135.39 | 1.00 | .38 | ..... | .50 | ..... | .12 |
| Do | Pittsburgh, Pa | 369.69 | 1.40 | .97 | ..... | .70 | .27 | ..... |
| Do | Providence, R. I | 412.22 | 1.70 | 1.16 | ..... | .85 | .31 | ..... |
| Do | Rochester, N. Y | 392.60 | 1.60 | 1.81 | .21 | .80 | 1.01 | ..... |
| Do | St. Louis, Mo | 892.59 | 2.45 | 3.38 | .93 | 1.23 | 2.15 | ..... |
| Do | Wheeling, W. Va | 354.54 | 1.50 | 1.79 | .29 | .75 | 1.04 | ..... |
| Do | Worcester, Mass | 422.28 | 1.70 | 1.79 | .09 | .85 | .94 | ..... |
| Waterloo, Iowa | Chicago, Ill | 274.94 | 1.65 | 1.00 | ..... | .83 | .17 | ..... |
| Wells River, Vt | Boston, Mass | 167.18 | 1.15 | 1.15 | ..... | .58 | .58 | ..... |
| Wilkes-Barre, Pa | New York, N. Y | 174.34 | 1.00 | .88 | ..... | .50 | .38 | ..... |
| Zanesville, Ohio | Pittsburgh, Pa | 152.49 | 1.00 | .72 | ..... | .50 | .22 | ..... |

WESTERN SECTION.

[In this table the mail rates in all cases excepting those marked (*a*) are average rates for the respective mail routes. Those marked (*a*) are top rates for the respective mail routes. Immediately following this table will be found another table for the western section in which all mail rates are average rates for the respective mail routes.]

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Aberdeen, S. Dak | St. Paul, Minn | 295.01 | $1.80 | *a* $0 73 | ..... | $0.90 | ..... | $0.17 |
| Albany, Oreg | Chicago, Ill | 2,362.41 | 9.25 | *a* 5.20 | ..... | 4.63 | $1.58 | ..... |
| Albuquerque, N. Mex | Kansas City, Mo | 905.36 | 4.25 | 2.83 | ..... | 2.13 | .70 | ..... |
| Bakersfield, Cal | Chicago, Ill | 2,491.60 | 8.90 | *a* 5.45 | ..... | 4.45 | 1.00 | ..... |
| Beaumont, Tex | New Orleans, La | 280.38 | 1.80 | 1.28 | ..... | .90 | .38 | ..... |
| Billings, Mont | Chicago, Ill | 1,304.16 | 5.40 | *a* 3.14 | ..... | 2.70 | .44 | ..... |
| Bismarck, N. Dak | St. Paul, Minn | 355.06 | 2.45 | *a* 1.02 | ..... | 1.23 | ..... | .21 |
| Cheyenne, Wyo | Chicago, Ill | 997.78 | 4.15 | 2.73 | ..... | 2.08 | .65 | ..... |
| Colton, Cal | do | 2,191.37 | 8.60 | *a* 5.40 | ..... | 4.30 | 1.10 | ..... |
| El Reno, Okla | Kansas City, Mo | 382.12 | 2.25 | *a* 1.04 | ..... | 1.13 | ..... | .09 |
| Everett, Wash | Chicago, Ill | 2,229.93 | 8.60 | *a* 5.29 | ..... | 4.30 | .99 | ..... |
| Fargo, N. Dak | Minneapolis, Minn | 231.04 | 1.60 | .82 | ..... | .80 | .02 | ..... |
| Fort Smith, Ark | St. Louis, Mo | 513.71 | 2.25 | 2.40 | $0.15 | 1.13 | 1.27 | ..... |
| Great Falls, Mont | Chicago, Ill | 1,538.53 | 6.25 | *a* 4.42 | ..... | 3.13 | 1.29 | ..... |
| Havre, Mont | do | 1,317.29 | 5.55 | *a* 3.55 | ..... | 2.78 | .77 | ..... |
| Huron, S. Dak | do | 646.19 | 3.00 | *a* 1.69 | ..... | 1.50 | .19 | ..... |
| Do | St. Paul, Minn | 297.33 | 1.80 | *a* .75 | ..... | .90 | ..... | .15 |
| Kalispell, Mont | Chicago, Ill | 1,631.59 | 6.80 | *a* 4.29 | ..... | 3.40 | .89 | ..... |
| La Junta, Colo | Kansas City, Mo | 556.87 | 3.00 | 1.58 | ..... | 1.50 | .08 | ..... |
| Lewiston, Idaho | Chicago, Ill | 2,064.76 | 8.05 | *a* 4.93 | ..... | 4.03 | .90 | ..... |
| Livingston, Mont | do | 1,343.45 | 5.95 | *a* 3.40 | ..... | 2.98 | .42 | ..... |
| Medford, Oreg | do | 2,497.70 | 9.90 | *a* 6.48 | ..... | 4.95 | 1.53 | ..... |
| Minidoka, Idaho | do | 1,614.52 | 7.15 | *a* 4.11 | ..... | 3.58 | .53 | ..... |
| Minot, N. Dak | St. Paul, Minn | 523.51 | 2.80 | *a* 1.33 | ..... | 1.40 | ..... | .07 |
| Missoula, Mont | Chicago, Ill | 1,585.59 | 6.90 | *a* 3.93 | ..... | 3.45 | .48 | ..... |
| Nampa, Idaho | do | 1,800.70 | 7.85 | *a* 4.61 | ..... | 3.93 | .68 | ..... |
| Oklahoma, Okla | Kansas City, Mo | 400.83 | 2.25 | 1.59 | ..... | 1.13 | .46 | ..... |
| Pasco, Wash | Chicago, Ill | 2,070.29 | 8.20 | *a* 4.80 | ..... | 4.10 | .70 | ..... |
| Phoenix, Ariz | St. Louis, Mo | 1,783.42 | 7.40 | *a* 4.90 | ..... | 3.70 | 1.20 | ..... |
| Pocatello, Idaho | Chicago, Ill | 1,553.23 | 7.00 | 4.44 | ..... | 3.50 | .94 | ..... |
| Portland, Oreg | do | 2,281.92 | 8.85 | 7.03 | ..... | 4.42 | 2.61 | ..... |
| Roseburg, Oreg | do | 2,628.63 | 9.40 | *a* 6.85 | ..... | 4.70 | 2.15 | ..... |

*Comparison of express and mail rates per 100 pounds*—Continued.

WESTERN SECTION—Continued.

| From— | To— | Length of mail routes. | First-class express rate, I. C. C. order. | Mail rate (average). | Excess of mail rate over express rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over mail rate. |
|---|---|---|---|---|---|---|---|---|
| | | *Miles.* | | | | | | |
| Reno, Nev | San Francisco, Cal | 243.88 | $1.60 | a $0.64 | | $0.80 | | $0.16 |
| Seattle, Wash | Chicago, Ill | 2,323.24 | 8.60 | 7.29 | | 4.30 | $2.99 | |
| Do | St. Paul, Minn | 1,824.76 | 7.90 | 6.10 | | 3.95 | 2.15 | |
| Spokane, Wash | Chicago, Ill | 1,923.85 | 7.75 | 6.06 | | 3.87 | 2.19 | |
| Tacoma, Wash | do | 2,319.94 | 8.60 | a 5.47 | | 4.30 | 1.17 | |
| Walla Walla, Wash | do | 2,101.57 | 8.10 | a 5.52 | | 4.05 | 1.47 | |
| Wenatchee, Wash | do | 2,073.00 | 8.30 | a 5.45 | | 4.15 | 1.30 | |
| Wichita, Kans | Kansas City, Mo | 228.25 | 1.60 | .68 | | .80 | | .12 |
| Williston, N. Dak | St. Paul, Minn | 644.25 | 3.20 | a 1.65 | | 1.60 | .05 | |

The following table shows the average mail rates for the respective mail routes:

*Comparison of express and mail rates per 100 pounds.*

WESTERN SECTION.

| From— | To— | Length of mail routes. | First-class express rate, I. C. C. order. | Mail rate (average). | Excess of mail rate over express rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over the mail rate. |
|---|---|---|---|---|---|---|---|---|
| | | *Miles.* | | | | | | |
| Aberdeen, S. Dak | St. Paul, Minn | 295.01 | $1.80 | $1.38 | | $0.90 | $0.48 | |
| Albany, Oreg | Chicago, Ill | 2,362.41 | 9.25 | 7.38 | | 4.63 | 2.75 | |
| Albuquerque, N. Mex | Kansas City, Mo | 905.36 | 4.25 | 2.83 | | 2.13 | .70 | |
| Bakersfield, Cal | Chicago, Ill | 2,491.60 | 8.90 | 7.34 | | 4.45 | 2.89 | |
| Beaumont, Tex | New Orleans, La | 280.38 | 1.80 | 1.28 | | .90 | .38 | |
| Billings, Mont | Chicago, Ill | 1,304.16 | 5.40 | 4.00 | | 2.70 | 1.30 | |
| Bismarck, N. Dak | St. Paul, Minn | 355.06 | 2.45 | 1.38 | | 1.23 | .15 | |
| Cheyenne, Wyo | Chicago, Ill | 997.78 | 4.15 | 2.73 | | 2.08 | .65 | |
| Colton, Cal | do | 2,191.37 | 8.60 | 6.99 | | 4.30 | 2.69 | |
| El Reno, Okla | Kansas City, Mo | 382.12 | 2.25 | 1.63 | | 1.13 | .50 | |
| Everett, Wash | Chicago, Ill | 2,229.93 | 8.60 | 7.10 | | 4.30 | 2.80 | |
| Fargo, N. D | Minneapolis, Minn | 231.04 | 1.60 | .82 | | .80 | .02 | |
| Fort Smith, Ark | St. Louis, Mo | 513.71 | 2.25 | 2.40 | $0.15 | 1.13 | 1.27 | |
| Great Falls, Mont | Chicago, Ill | 1,538.53 | 6.25 | 8.55 | 2.30 | 3.13 | 5.42 | |
| Havre, Mont | do | 1,367.29 | 5.55 | 4.40 | | 2.78 | 1.62 | |
| Huron, S. Dak | do | 646.19 | 3.00 | 3.04 | .04 | 1.50 | 1.54 | |
| Do | St. Paul, Minn | 297.33 | 1.80 | 1.56 | | .90 | .66 | |
| Kalispell, Mont | Chicago, Ill | 1,631.59 | 6.80 | 5.52 | | 3.40 | 2.12 | |
| La Junta, Colo | Kansas City, Mo | 556.87 | 3.00 | 1.58 | | 1.50 | .08 | |
| Lewiston, Idaho | Chicago, Ill | 2,064.76 | 8.05 | 7.26 | | 4.03 | 3.23 | |
| Livingston, Mont | do | 1,343.45 | 5.95 | 4.39 | | 2.98 | 1.41 | |
| Medford, Oreg | do | 2,497.70 | 9.90 | 7.13 | | 4.95 | 2.18 | |
| Minidoka, Idaho | do | 1,614.52 | 7.15 | 4.64 | | 3.58 | 1.06 | |
| Minot, N. Dak | St. Paul, Minn | 523.51 | 2.80 | 1.79 | | 1.40 | .39 | |
| Missoula, Mont | Chicago, Ill | 1,585.59 | 6.90 | 5.20 | | 3.45 | 1.75 | |
| Nampa, Idaho | do | 1,800.70 | 7.85 | 5.29 | | 3.93 | 1.36 | |
| Oklahoma, Okla | Kansas City, Mo | 400.83 | 2.25 | 1.59 | | 1.13 | .46 | |
| Pasco, Wash | Chicago, Ill | 2,070.29 | 8.20 | 6.67 | | 4.10 | 2.57 | |
| Phoenix, Ariz | St. Louis, Mo | 1,783.42 | 7.40 | 8.31 | | 3.70 | 4.61 | |
| Pocatello, Idaho | Chicago, Ill | 1,553.23 | 7.00 | 4.44 | | 3.50 | .94 | |
| Portland, Oreg | do | 2,281.92 | 8.85 | 7.03 | | 4.42 | 2.61 | |
| Roseburg, Oreg | do | 2,628.63 | 9.40 | 7.67 | | 4.70 | 2.97 | |
| Reno, Nev | San Francisco, Cal | 243.88 | 1.60 | .74 | | .80 | | $0.06 |
| Seattle, Wash | Chicago, Ill | 2,323.24 | 8.60 | 7.29 | | 4.30 | 2.99 | |
| Do | St. Paul, Minn | 1,824.76 | 7.90 | 6.10 | | 3.95 | 2.15 | |
| Spokane, Wash | Chicago, Ill | 1,923.85 | 7.75 | 6.06 | | 3.87 | 2.19 | |
| Tacoma, Wash | do | 2,319.94 | 8.60 | 7.71 | | 4.30 | 3.41 | |
| Walla Walla, Wash | do | 2,101.57 | 8.10 | 7.06 | | 4.05 | 3.01 | |
| Wenatchee, Wash | do | 2,073.00 | 8.30 | 6.71 | | 4.15 | 2.56 | |
| Wichita, Kans | Kansas City, Mo | 228.25 | 1.60 | .68 | | .80 | | .12 |
| Williston, N. Dak | St. Paul, Minn | 644.25 | 3.2 | 2.19 | | 1.60 | .59 | |

Below is set forth a like table based upon 40 pounds instead of 100 pounds weight, the 40 pounds being assumed as the average weight of an express parcel. The average weight of an express parcel in 1910 as reported by the Interstate Commerce Commission in Statistics of Revenue Tonnage for the months of April, August, and December, 1909, was 32.8 pounds (First Annual Report of the Statistics of Express Companies in the United States, 1909, p. 18). Since the inauguration of parcel post many of the smaller express packages have been lost to the express and are carried in the mails, and it is believed that this has raised the average weight of express parcels to approximately 40 pounds.

*Comparison of express and mail rates per 40 pounds.*

| From— | To— | Length of mail routes. | First-class express rate, I. C. C. order. | Mail rate. (average.) | Excess of mail rate over express rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over mail rate. |
|---|---|---|---|---|---|---|---|---|
| | | *Miles.* | | | | | | |
| Akron, Ohio | Pittsburgh, Pa. | 132.06 | $0.52 | $0.30 | | $0.26 | $0.04 | |
| Altoona, Pa. | New York, N. Y. | 326.86 | .68 | .34 | | .34 | | |
| Anniston, Ala. | Washington, D. C. | 748.20 | 1.28 | 1.01 | | .64 | .37 | |
| Asheville, N. C. | do | 476.17 | 1.00 | .79 | | .50 | .29 | |
| Ashland, Ky. | Cincinnati, Ohio | 145.71 | .58 | .22 | | .29 | | $0.07 |
| Buffalo, N. Y. | Boston, Mass. | 496.90 | .76 | .55 | | .38 | .17 | |
| Burlington, Iowa | Chicago, Ill. | 205.57 | .62 | .23 | | .31 | | .08 |
| Burlington, Vt. | Boston, Mass. | 247.34 | .58 | .61 | $0.03 | .29 | .32 | |
| Cedar Rapids, Iowa | Chicago, Ill. | 218.36 | .62 | .28 | | .31 | | .03 |
| Charleston, W. Va. | Washington, D. C. | 387.71 | .82 | .58 | | .41 | .17 | |
| Chattanooga, Tenn. | Cincinnati, Ohio | 338.15 | .86 | .56 | | .43 | .13 | |
| Chicago, Ill. | Boston, Mass. | 1,019.08 | 1.12 | 1.12 | | .56 | .56 | |
| Do | Kansas City, Mo. | 454.00 | .96 | .61 | | .48 | .13 | |
| Do | Milwaukee, Wis. | 85.00 | .48 | .12 | | .24 | | .12 |
| Do | Minneapolis, Minn. | 423.79 | .92 | .48 | | .46 | .02 | |
| Do | New York, N. Y. | 909.12 | 1.08 | 1.01 | | .54 | .47 | |
| Cincinnati, Ohio | Boston, Mass. | 980.48 | 1.10 | 1.11 | .01 | .55 | .56 | |
| Do | Chicago, Ill. | 303.50 | .62 | .42 | | .31 | .11 | |
| Do | Louisville, Ky. | 113.61 | .48 | .16 | | .24 | | .08 |
| Do | New York, N. Y. | 751.33 | .98 | .84 | | .49 | .35 | |
| Do | Pittsburgh, Pa. | 310.64 | .68 | .36 | | .34 | .02 | |
| Do | St. Louis, Mo. | 339.36 | .72 | .51 | | .36 | .15 | |
| Clarksburg, W. Va. | Washington, D. C. | 276.43 | .62 | .39 | | .31 | .08 | |
| Corinth, Miss. | Memphis, Tenn. | 93.59 | .60 | .21 | | .30 | | .09 |
| Council Bluffs, Iowa | Chicago, Ill. | 493.89 | 1.02 | .50 | | .51 | | .01 |
| Des Moines, Iowa | do | 357.76 | .84 | .47 | | .42 | .05 | |
| Deshler, Ohio | Pittsburgh, Pa. | 264.66 | .62 | .56 | | .31 | .25 | |
| Dubuque, Iowa | Chicago, Ill. | 181.97 | .52 | .26 | | .26 | | |
| Elmira, N. Y. | New York, N. Y. | 273.08 | .62 | .45 | | .31 | .14 | |
| Do | Scranton, Pa. | 119.08 | .48 | .20 | | .24 | | .04 |
| Enid, Okla. | Kansas City, Kans. | 392.19 | .92 | 1.10 | .18 | .46 | .64 | |
| Fort Wayne, Ind. | Chicago, Ill. | 148.18 | .52 | .17 | | .26 | | .09 |
| Grafton, W. Va. | Washington, D. C. | 253.93 | .62 | .35 | | .31 | .04 | |
| Grand Rapids, Mich. | Chicago, Ill. | 177.51 | .52 | .30 | | .26 | .04 | |
| Harrisburg, Pa. | New York, N. Y. | 195.57 | .52 | .21 | | .26 | | .05 |
| Hattiesburg, Miss. | Washington, D. C. | 1,001.71 | 1.56 | 1.54 | | .78 | .76 | |
| Hinton, W. Va. | do | 291.21 | .74 | .66 | | .37 | .29 | |
| Indianapolis, Ind. | Rochester, N. Y. | 534.31 | .88 | .71 | | .44 | .27 | |
| Knoxville, Tenn. | Cincinnati, Ohio | 291.56 | .88 | .63 | | .44 | .19 | |
| La Crosse, Wis. | Chicago, Ill. | 282.99 | .66 | .32 | | .33 | | .01 |
| Lafayette, Ind. | do | 129.12 | .48 | .16 | | .24 | | .08 |
| Lancaster, Pa. | New York, N. Y. | 159.82 | .52 | .17 | | .26 | | .09 |
| Madison, Wis. | Chicago, Ill. | 129.70 | .58 | .19 | | .29 | | .10 |
| New London, Conn. | Boston, Mass. | 106.09 | .48 | .12 | | .24 | | .12 |
| Northfield, Vt. | do | 197.24 | .58 | .44 | | .29 | .15 | |
| Omaha, Nebr. | Chicago, Ill. | 488.89 | 1.02 | .50 | | .51 | | .01 |
| Parkersburg, W. Va. | Washington, D. C. | 357.88 | .72 | .52 | | .36 | .16 | |
| Pittsburgh, Pa. | Chicago, Ill. | 468.43 | .80 | .54 | | .40 | .14 | |
| Rouses Point, N. Y. | Boston, Mass. | 391.63 | .53 | .56 | | .29 | .27 | |
| St. Louis, Mo. | New York, N. Y. | 1,061.60 | 1.16 | 1.19 | .03 | .58 | .61 | |
| Do | Philadelphia, Pa. | 970.03 | 1.14 | 1.09 | | .57 | .52 | |
| St. Paul, Minn. | Boston, Mass. | 1,432.87 | 1.60 | 1.60 | | .80 | .80 | |
| Do | Chicago, Ill. | 413.79 | .92 | .48 | | .46 | .02 | |

*Comparison of express and mail rates per 40 pounds*—Continued.

| From— | To— | Length of mail routes. | First-class express rate, I. C. C. order. | Mail rate (average). | Excess of mail rate over express rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over mail rate. |
|---|---|---|---|---|---|---|---|---|
| | | *Miles.* | | | | | | |
| Salisbury, N. C | Washington, D. C | 334.77 | $0.82 | $0.42 | ..... | $0.41 | $0.01 | ..... |
| Sayre, Pa | New York, N. Y | 269.35 | .62 | .54 | ..... | .31 | .23 | ..... |
| Selma, Ala | Atlanta, Ga | 132.03 | .68 | 1.18 | $0.50 | .34 | .84 | ..... |
| Do | Washington, D. C | 778.40 | 1.44 | 2.03 | .59 | .72 | 1.31 | ..... |
| Scranton, Pa | New York, N. Y | 135.23 | .52 | .24 | ..... | .26 | ..... | $0.02 |
| Washington, D. C | Hartford, Conn | 335.87 | .76 | .38 | ..... | .38 | ..... | ..... |
| Do | Huntington, W. Va | 438.51 | .88 | .66 | ..... | .44 | .22 | ..... |
| Do | Jersey City, N. J | 226.96 | .62 | .25 | ..... | .31 | ..... | .06 |
| Do | New York, N. Y | 226.96 | .62 | .25 | ..... | .31 | ..... | .06 |
| Do | Philadelphia, Pa | 135.39 | .52 | .15 | ..... | .26 | ..... | .11 |
| Do | Pittsburgh, Pa | 369.69 | .68 | .39 | ..... | .34 | .05 | ..... |
| Do | Providence, R. I | 412.22 | .80 | .46 | ..... | .40 | .06 | ..... |
| Do | Rochester, N. Y | 392.60 | .76 | .72 | ..... | .38 | .34 | ..... |
| Do | St. Louis, Mo | 892.59 | 1.10 | 1.35 | .25 | .55 | .80 | ..... |
| Do | Wheeling, W. Va | 354.54 | .72 | .72 | ..... | .36 | .36 | ..... |
| Do | Worcester, Mass | 422.28 | .80 | .72 | ..... | .40 | .32 | ..... |
| Waterloo, Iowa | Chicago, Ill | 274.94 | .78 | .40 | ..... | .39 | .01 | ..... |
| Wells River, Vt | Boston, Mass | 167.18 | .58 | .46 | ..... | .29 | .17 | ..... |
| Wilkes-Barre, Pa | New York, N. Y | 174.34 | .52 | .35 | ..... | .26 | .09 | ..... |
| Zanesville, Ohio | Pittsburgh, Pa | 152.49 | .52 | .29 | ..... | .26 | .03 | ..... |

## WESTERN SECTION.

[In this table the mail rates in all cases excepting those marked (*a*) are average rates for the respective mail routes. Those marked (*a*) are top rates for the respective mail routes. Immediately following this table will be found another table for the western section in which all mail rates are average rates for the respective mail routes.]

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Aberdeen, S. Dak | St. Paul, Minn | 295.01 | $0.84 | *a* $0.29 | ..... | $0.42 | ..... | $0.13 |
| Albany, Oreg | Chicago, Ill | 2,362.41 | 3.82 | *a* 2.48 | ..... | 1.91 | $0.57 | ..... |
| Albuquerque, N. Mex. | Kansas City, Mo | 905.36 | 1.82 | 1.13 | ..... | .91 | .22 | ..... |
| Bakersfield, Cal | Chicago, Ill | 2,491.60 | 3.68 | *a* 2.18 | ..... | 1.84 | .34 | ..... |
| Beaumont, Tex | New Orleans, La | 280.38 | .84 | .51 | ..... | .42 | .09 | ..... |
| Billings, Mont | Chicago, Ill | 1,304.16 | 2.28 | *a* 1.26 | ..... | 1.14 | .12 | ..... |
| Bismarck, N. Dak | St. Paul, Minn | 355.06 | 1.10 | *a* .41 | ..... | .55 | ..... | .14 |
| Cheyenne, Wyo | Chicago, Ill | 997.78 | 1.78 | 1.09 | ..... | .89 | .20 | ..... |
| Colton, Cal | do | 2,191.37 | 3.56 | *a* 2.16 | ..... | 1.78 | .38 | ..... |
| El Reno, Okla | Kansas City, Mo | 382.12 | 1.02 | *a* .42 | ..... | .51 | ..... | .09 |
| Everett, Wash | Chicago, Ill | 2,229.93 | 3.56 | *a* 2.12 | ..... | 1.78 | .34 | ..... |
| Fargo, N. Dak | Minneapolis, Minn | 231.04 | .76 | .33 | ..... | .38 | ..... | .05 |
| Fort Smith, Ark | St. Louis, Mo | 513.71 | 1.02 | .96 | ..... | .51 | .45 | ..... |
| Great Falls, Mont | Chicago, Ill | 1,538.53 | 2.62 | *a* 1.77 | ..... | 1.31 | .46 | ..... |
| Havre, Mont | Chicago, Ill | 1,367.29 | 2.34 | *a* 1.42 | ..... | 1.17 | .25 | ..... |
| Huron, S. Dak | do | 646.19 | 1.32 | *a* .68 | ..... | .66 | .02 | ..... |
| Do | St. Paul, Minn | 297.33 | .84 | *a* .30 | ..... | .42 | ..... | .12 |
| Kalispell, Mont | Chicago, Ill | 1,631.59 | 2.84 | *a* 1.72 | ..... | 1.42 | .30 | ..... |
| La Junta, Colo | Kansas City, Mo | 556.87 | 1.32 | .63 | ..... | .66 | ..... | .03 |
| Lewiston, Idaho | Chicago, Ill | 2,064.76 | 3.34 | *a* 1.97 | ..... | 1.67 | .30 | ..... |
| Livingston, Mont | do | 1,343.45 | 2.50 | *a* 1.36 | ..... | 1.25 | .11 | ..... |
| Medford, Oreg | do | 2,497.70 | 4.08 | *a* 2.59 | ..... | 2.04 | .54 | ..... |
| Minidoka, Idaho | do | 1,614.52 | 2.98 | *a* 1.64 | ..... | 1.49 | .15 | ..... |
| Minot, N. Dak | St. Paul, Minn | 523.51 | 1.24 | *a* .53 | ..... | .62 | ..... | .09 |
| Missoula, Mont | Chicago, Ill | 1,585.59 | 2.88 | *a* 1.57 | ..... | 1.44 | .13 | ..... |
| Nampa, Idaho | do | 1,800.70 | 3.26 | *a* 1.84 | ..... | 1.63 | .21 | ..... |
| Oklahoma, Okla | Kansas City, Mo | 400.83 | 1.02 | .64 | ..... | .51 | .13 | ..... |
| Pasco, Wash | Chicago, Ill | 2,070.29 | 3.40 | *a* 1.92 | ..... | 1.70 | .22 | ..... |
| Phoenix, Ariz | St. Louis, Mo | 1,783.42 | 3.08 | *a* 1.96 | ..... | 1.54 | .42 | ..... |
| Pocatello, Idaho | Chicago, Ill | 1,553.23 | 2.92 | 1.77 | ..... | 1.46 | .31 | ..... |
| Portland, Oreg | do | 2,281.92 | 3.66 | 2.81 | ..... | 1.83 | .98 | ..... |
| Roseburg, Oreg | do | 2,628.63 | 3.88 | *a* 2.74 | ..... | 1.94 | .80 | ..... |
| Reno, Nev | San Francisco, Cal | 243.88 | .76 | *a* .26 | ..... | .38 | ..... | .12 |
| Seattle, Wash | Chicago, Ill | 2,323.24 | 3.56 | 2.92 | ..... | 1.78 | 1.14 | ..... |
| Do | St. Paul, Minn | 1,824.76 | 3.28 | 2.44 | ..... | 1.64 | .80 | ..... |
| Spokane, Wash | Chicago, Ill | 1,923.85 | 3.22 | 2.42 | ..... | 1.61 | .81 | ..... |
| Tacoma, Wash | do | 2,319.94 | 3.56 | *a* 2.19 | ..... | 1.78 | .41 | ..... |
| Walla Walla, Wash | do | 2,101.57 | 3.36 | *a* 2.21 | ..... | 1.68 | .53 | ..... |
| Wenatchee, Wash | do | 2,073.00 | 3.44 | *a* 2.18 | ..... | 1.72 | .46 | ..... |
| Wichita, Kans | Kansas City, Mo | 228.25 | .76 | .27 | ..... | .38 | ..... | .11 |
| Williston, N. Dak | St. Paul, Minn | 644.25 | 1.40 | *a* .66 | ..... | .70 | ..... | .04 |

The following table shows the average mail rates for the respective mail routes:

*Comparison of express and mail rates per 40 pounds.*

WESTERN SECTION.

| From— | To— | Length of mail routes. | First-class express rate, I. C. C. order. | Mail rate (average). | Excess of mail rate over express rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over the mail rate. |
|---|---|---|---|---|---|---|---|---|
| | | *Miles.* | | | | | | |
| Aberdeen, S. Dak | St. Paul, Minn | 295.01 | $0.84 | $0.55 | ..... | $0.42 | $0.13 | ..... |
| Albany, Oreg | Chicago, Ill | 2,362.41 | 3.82 | 2.95 | ..... | 1.91 | 1.04 | ..... |
| Albuquerque, N. Mex. | Kansas City, Mo | 905.36 | 1.82 | 1.13 | ..... | .91 | .22 | ..... |
| Bakersfield, Cal | Chicago, Ill | 2,491.60 | 3.68 | 2.93 | ..... | 1.84 | 1.09 | ..... |
| Beaumont, Tex | New Orleans, La | 280.38 | .84 | .51 | ..... | .42 | .09 | ..... |
| Billings, Mont | Chicago, Ill | 1,304.16 | 2.28 | 1.60 | ..... | 1.14 | .46 | ..... |
| Bismarck, N. Dak | St. Paul, Minn | 355.06 | 1.10 | .55 | ..... | .55 | ..... | ..... |
| Cheyenne, Wyo | Chicago, Ill | 997.78 | 1.78 | 1.09 | ..... | .89 | .20 | ..... |
| Colton, Cal | do | 2,191.37 | 3.56 | 2.79 | ..... | 1.78 | 1.01 | ..... |
| El Reno, Okla | Kansas City, Mo | 382.12 | 1.02 | .65 | ..... | .51 | .14 | ..... |
| Everett, Wash | Chicago, Ill | 2,229.93 | 3.56 | 2.84 | ..... | 1.78 | 1.06 | ..... |
| Fargo, N. Dak | Minneapolis, Minn | 231.04 | .76 | .33 | ..... | .38 | ..... | $0.05 |
| Fort Smith, Ark | St. Louis, Mo | 513.71 | 1.02 | .96 | ..... | .51 | .45 | ..... |
| Great Falls, Mont | Chicago, Ill | 1,538.53 | 2.62 | 3.42 | $0.80 | 1.31 | 2.11 | ..... |
| Havre, Mont | do | 1,367.29 | 2.34 | 1.76 | ..... | 1.17 | 1.59 | ..... |
| Huron, S. Dak | do | 646.19 | 1.32 | 1.22 | ..... | .66 | .56 | ..... |
| Do | St. Paul, Minn | 297.33 | .84 | .62 | ..... | .42 | .20 | ..... |
| Kalispell, Mont | Chicago, Ill | 1,631.59 | 2.84 | 2.21 | ..... | 1.42 | .79 | ..... |
| La Junta, Colo | Kansas City, Mo | 556.87 | 1.32 | .63 | ..... | .66 | ..... | .03 |
| Lewiston, Idaho | Chicago, Ill | 2,064.76 | 3.34 | 2.90 | ..... | 1.67 | 1.23 | ..... |
| Livingston, Mont | do | 1,343.45 | 2.50 | 1.75 | ..... | 1.25 | .50 | ..... |
| Medford, Oreg | do | 2,497.70 | 4.08 | 2.85 | ..... | 2.04 | .81 | ..... |
| Minidoka, Idaho | do | 1,614.52 | 2.98 | 1.86 | ..... | 1.49 | .37 | ..... |
| Minot, N. Dak | St. Paul, Minn | 523.51 | 1.24 | .72 | ..... | .62 | .10 | ..... |
| Missoula, Mont | Chicago, Ill | 1,585.59 | 2.88 | 2.08 | ..... | 1.44 | .64 | ..... |
| Nampa, Idaho | do | 1,800.70 | 3.26 | 2.12 | ..... | 1.63 | .49 | ..... |
| Oklahoma, Okla | Kansas City, Mo | 400.83 | 1.02 | .64 | ..... | .51 | .13 | ..... |
| Pasco, Wash | Chicago, Ill | 2,070.29 | 3.40 | 2.67 | ..... | 1.70 | .97 | ..... |
| Phoenix, Ariz | St. Louis, Mo | 1,783.42 | 3.08 | 3.32 | .24 | 1.54 | 1.78 | ..... |
| Pocatello, Idaho | Chicago, Ill | 1,553.23 | 2.92 | 1.77 | ..... | 1.46 | .31 | ..... |
| Portland, Oreg | do | 2,281.92 | 3.66 | 2.81 | ..... | 1.83 | .98 | ..... |
| Roseburg, Oreg | do | 2,628.63 | 3.88 | 3.07 | ..... | 1.94 | 1.13 | ..... |
| Reno, Nev | San Francisco, Cal | 243.88 | .76 | .30 | ..... | .38 | ..... | .08 |
| Seattle, Wash | Chicago, Ill | 2,323.24 | 3.56 | 2.92 | ..... | 1.78 | 1.14 | ..... |
| Do | St. Paul, Minn | 1,824.76 | 3.28 | 2.44 | ..... | 1.64 | .80 | ..... |
| Spokane, Wash | Chicago, Ill | 1,923.85 | 3.22 | 2.42 | ..... | 1.61 | .81 | ..... |
| Tacoma, Wash | do | 2,319.94 | 3.56 | 3.08 | ..... | 1.78 | 1.30 | ..... |
| Walla Walla, Wash | do | 2,101.57 | 3.36 | 2.82 | ..... | 1.68 | 1.14 | ..... |
| Wenatchee, Wash | do | 2,073.00 | 3.44 | 2.69 | ..... | 1.72 | .97 | ..... |
| Wichita, Kans | Kansas City, Mo | 228.25 | .76 | .27 | ..... | .38 | ..... | .11 |
| Williston, N. Dak | St. Paul, Minn | 644.25 | 1.40 | .87 | ..... | .70 | .17 | ..... |

These statistics show that in most cases the revenue received by the railroad companies for the carriage of 100 pounds and 40 pounds of mail matter between the points named is in excess of the revenue received from the express companies for the carriage of express packages of 100 pounds and 40 pounds, respectively, between the same points. The differences in the rates vary considerably but in a majority of cases the excess of the mail rate over the compensation from the express is material.

It should be remembered also that the mail rates named in these tables are for transportation alone and do not include the revenue received by the railroad companies for railway post-office cars operated over the routes. Such cars are operated over most if not all of the routes between the points named. The total compensation for railway post-office cars paid the railroads is approximately 10 per

cent of the total pay including transportation and railway post-office cars, but it would not follow that this ratio of pay would exist upon each individual route. No attempt has been made to ascertain for each route the part of the railway post-office car pay apportioned to the specific weight of mail for the reason that although the result would be approximately correct it would not be exact, and these tables are submitted to show exact and uncontrovertible results.

COMPARISON OF REVENUE TO RAILROADS FROM EXPRESS AND MAIL SERVICES AS A WHOLE.

A careful analysis of available statistics has been made in an endeavor to reach an approximately accurate comparison between the total revenue received by railroad companies from the express service and that which they would receive from the mail service if the railroad rate per ton-mile so received from the express service were applied to the ton-miles of mail service.

Recourse has been had to the First Annual Report of the Statistics of Express Companies in the United States for 1909, pages 18 and 19, and to opinion No. 1967, of June 8, 1912, of the Interstate Commerce Commission in case No. 4198, "In the Matter of Express Rates, Practices, Accounts, and Revenues." On pages 501 and 502 of said report there is presented an analysis of freight revenue of Adams Express Co. as of August 18, 1909, and an analysis of freight revenue of United States Express Co. as of December 22, 1909; the statement showing traffic averages for character of traffic moved. For the Adams Express Co., the statement covers the movement of traffic between 206 points for which mileage could be assigned, between which, in general, 100 or more pieces moved. It represents 15.48 per cent of the total number of pieces, 15.70 per cent of the total weight, and 13.98 per cent of the total revenue on business handled as of August 18, 1909. For the United States Express Co., the statement covers the movement of traffic between 218 points for which mileage could be assigned, between which, in general, 100 or more pieces moved. It represents 14.66 per cent of the total number of pieces, 13.77 per cent of the total weight, and 13.26 per cent of the total revenue on business handled as of December 22, 1909.

The average charge per ton per mile ascertained from the statistics of the Adams Express Co. is 15.30 cents (I. C. C. Rept., in the matter of express rates, etc., p. 501), and the average charge per ton per mile ascertained from the statistics of the United States Express Co. was 18.37 cents. (Id., p. 502.) Original exhibits from which these statistics were computed by the Interstate Commerce Commission show that the average charge per ton per mile for both companies for express matter handled was 16.84 cents. Apportioning 47.53 per cent (First Annual Report of the Statistics of Express Companies, etc., for 1909, p. 19) as that part of their receipts from operation paid by the express companies to the railroad companies, we have 8.004 cents per ton-mile as the average rate which the railroad companies receive from the express service. By reference to the hearings, page 122, it is observed that Mr. V. J. Bradley, representing the Pennsylvania Railroad Co., has practically accepted lower figures, apparently based upon similar data. He also states that the Bureau of Railway Economics in its study of the parcel post quoted the results of its calculations as 7.7 and 7.5 cents per ton-mile.

The ton-miles per annum in the mail service computed as of April 30, 1913, were 510,827,522. Applying the ton-mile rate of revenue received by the railroad companies from the express service, namely, 8.004 cents, we obtain a total of $40,886,634.86 as the mail revenue computed on the revenue per ton-mile received by the companies from the express service.

But it may be said that this comparison is solely upon the basis of weight and does not take into consideration any variation in space per unit of weight; that is, for density of loading. To compensate for this the pay based on ton-miles must be translated into pay based on space. The average haul of 1 pound of express matter by the Adams Express Co., as shown by the table above referred to, was 166.57 miles, and the average haul of 1 pound of express matter by the United States Express Co., as shown by the same table, was 206.60 miles. The average haul of all express matter was ascertained to be 183.72 miles for each pound.[1] The average load of a 60-foot express car was ascertained to be 2.57 tons.[2] It is estimated that there were 225,633,845 car-miles pro rated to 60-foot car basis per annum performed in the mail service as of November, 1913. This divided into the ton-miles per annum, 510,827,522 (Hearings, p. 852) gives a density of load of 2.26 tons. Therefore, to compensate for the difference in density of load we may state the proportion as follows: 2.57 is to 2.26 as the compensated mail pay is to $40,886,634.86. This produces a result of $46,494,978.58. The annual rate of pay for transportation of mails and for railway post office cars on June 30, 1913, was $51,466,030.

It will be remembered that these figures are based upon the express rates before they were reduced by the order No. 2408 of the Interstate Commerce Commission effective February 1, 1914. It has been estimated that this reduction was approximately 16 per cent. The department has no other information on this point and can not say how reliable this estimate is, but it is lower than that mentioned by the railroads' committee. Applying this reduction to the last ascertained amount produces an annual compensation of $39,055,782.01. The annual rate of pay for transportation of mails and for railway post office cars on June 30, 1913, was $51,466,030.

It must be remembered, as hereinbefore stated, that this is placing the mail service on the basis of the express service and not accounting for the value of such differences between them as may exist.

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[1] This is obtained from the original exhibits of the Interstate Commerce Commission, showing the total weight carried for the Adams Express Co. and the United States Express Co., and the total of both was thus ascertained. The exhibits also showed the pounds carried 1 mile for each company, and the total pounds per mile was thus ascertained. Dividing the pounds carried 1 mile by the total weight, the average haul per pound was obtained.

[2] This is obtained as follows: The express car-foot miles (Table 3, Doc. No. 105, p. 59) are stated as 1,379,396,873 car-foot miles. The express revenue for the roads represented in Table 3 was ascertained by a tabulation from the Interstate Commerce Commission statistics for 1910. The total annual revenue for the roads listed in Table 3 was found to be $58,973,885. One-twelfth of this amount represents the express revenue for one month, or $4,914,490. Dividing this amount by the car-foot miles in the express service produces an express revenue per car-foot mile of 3.56278+ mills. The total average express revenue per month for the three months of April, August, and December, 1909, as shown on page 19 of the Statistics of Express Companies, 1909, was $5,921,999.90. Dividing this revenue by the revenue rate per car-foot mile for the roads represented in Table 3 gives 1,662,184,166 express car-foot miles for the express service for one month. The average ton-miles for one month, obtained by multiplying the pounds carried, 776,447,397 pounds, average of one month (Statistics of Express Companies, 1909), by the average haul of 183.72 miles, gives 142,648,915,777 pound-miles, or 71,324,457.88 ton-miles. This average ton-mileage is comparable with the express car-foot miles above shown. Dividing the ton-miles by the car-foot miles gives the average load per car.

Furthermore, it is placing the entire subject matter of the mail service upon the same basis as the subject matter of the express service.

REPLY TO CRITICISMS OF THE RAILROADS' COMMITTEE RESPECTING THE SUGGESTED BILL.

The statements submitted to the joint committee at the hearings held on March 16 and 17, 1914, by Messrs. Peters, Baldwin, and Mack, representing the railroads' committee, with reference to the tentative draft of a suggested bill for the regulation of railroad-mail pay prepared by the department and presented to the joint committee February 12, 1914, have been examined.

In general the statements referred to are a reiteration of the claims of the railroads' committee that the railroads are underpaid for mail service and a depreciation of any plan which will change the present system of adjusting railroad-mail pay, excepting as suggested by themselves or which will not result in an increase in pay. Consequently their presentation is devoid of any fair discussion of the provisions of the suggested plan, but makes strenuous objections to the provision giving the Postmaster General the power to secure information from the Interstate Commerce Commission as to the revenue received by railroad companies from express companies for service rendered in the transportation of express matter, and to arrange for the transportation of mail matter other than first class at rates not exceeding those so ascertained; to that authorizing him to petition the Interstate Commerce Commission for the determination of a postal carload or less than postal-carload rates for transportation of mail matter of the fourth class and periodicals and to provide for and authorize such transportation at such rates and other salutory provisions, and denounces the provision requiring railroad companies to carry the mails under penalty of $5,000.

It seems to be the idea of the railroads' committee that all those powers which would give the Postmaster General authority to provide for the transportation of the mails on railroads in the most businesslike manner and in the greatest interest of the public should be withheld from him. Their objection to the salutary provisions which give him the power to invoke the assistance of the Interstate Commerce Commission and thereafter to fix equitable and fair rates for certain classes of service is without merit.

With respect to their objection to the provision that all railroad companies shall carry the mails, and their argument that the provision is unnecessary and drastic, it is sufficient reply that the department has been in receipt of a number of communications from railroad companies either declining to continue the mail service or threatening to do so unless the department accedes to their terms for the same, and that it is confronted with a serious problem as to how the mail service may be maintained under such conditions. As stated at the hearings this condition has been partially brought about by the campaign of publicity carried on by the railroads' committee, in which they disseminated unwarranted statements calculated to disturb the relations which have heretofore existed between the railroad companies and the Post Office Department. It is not believed by the officers of the department that railroad companies have

the public and moral right to decline to carry the mails, and such constitutional power as Congress may have in the premises should be expressed in some provision requiring the carriage of the mails.

Such discussion of the proposed plan as has been presented by the railroads' representatives is largely directed against the discretion reposed in the Postmaster General with respect to the conduct of the service. The main features will be examined.

The objection against the continuance of the present provision of law providing that the Postmaster General shall pay rates "not exceeding" those named has no merit, and if accepted and those words omitted from the statute the Postmaster General would be without power to provide in an economical and businesslike way for many conditions that arise in the service. If rates were absolutely fixed from which the Postmaster General could not vary, there would be innumerable instances in the usual conduct of the service where disputes would arise between the railroad companies and the Post Office Department as to the precise amount due for the service, and the usual order of the Postmaster General, which, if it fixes the rate within the maximum prescribed by law, has been held by the courts to be final, would only mark the beginning of lawsuits, which would be numerous and vexatious.

From the point of view of economical administration such a provision is necessary. This is illustrated by instances such as the following:

In the case of competing railroads between common points where the mileage differed, in the absence of such provision the department would be compelled to always dispatch the competitive mails by the cheaper route, with disastrous results financially to the route of longer mileage. A concrete instance may be cited between New York and Chicago, where the route of the Pennsylvania Railroad is some 50 miles shorter than that of its principal competitor for through business. If rates were absolutely fixed the department would be compelled to send all through mails via the Pennsylvania line, and transfer thereto mails carried by more expensive lines. We now continue the service by the carrying companies who equalize the rates. Under the "not exceeding" clause the department is enabled to propose to the more expensive line that it carry the competitive mails at the lower rate available to the department over the shorter line. It also enables a carrying line to retain the haulage of such mails if it desires to meet the terms. This is the practice under the existing law, and the new plan contemplates its continuance.

It is submitted that in a service subject to the mutations and fluctuations inherent in the mail service a wide latitude of discretion for the supervisory officers of the service is necessary if the service is to be efficiently and economically administered. Furthermore, the language is that of the present law and there does not appear to be any valid reason or justification for divesting the Postmaster General of a discretion which he has always had and which has never been abused.

The railroads urge that the new plan, by increasing the amount of service to be paid for on a space basis, will make the pay of railroads largely dependent upon the opinions of inspectors anxious to make a record and with their superiors slow to disregard recommendations that may produce possible economies, the railroads will not

know with definiteness or certainty what its compensation is to be. In reply to this it should be said that it must be granted by all that the determination of the space needed must necessarily be left with the officers of the department. The railroads could not expect the Government to accept their statements in such matters. The officers of the department are responsible to the Congress and the people for the administration of the service, must render to them an accounting thereof, and could not in their conduct of the service rely upon any other reports than those of the departmental field officers in immediate supervision of the lines.

Past experience has demonstrated that the causes for disagreement between the railroads and the department have usually been those relating to the construction of the laws and regulations governing the authorization of railway post-office car space, particularly as to the factors taken into consideration in determining what amount of space for purposes for which additional payment is contemplated by the statute is needed on a particular train. The department has promulgated certain regulations and standards to govern the question, with which the railroad representatives do not agree and to some parts of which there have been strenuous objections offered by them. The department maintains that the additional payment for car space authorized by the statute is for distribution space in cars, space for the storage of working and registered mails and those for local delivery, and under this construction frequently authorizes payment for 40 or 50 feet of space and the company operates a 60 or 70 foot car in satisfaction of such authorization.

The companies in most such cases assert that they are running a 60-foot car and that the department is using the entire space therein and therefore should pay for 60 feet instead of the lesser space authorized. It may be true that the entire space in the car is utilized, but the excess over the authorized space is occupied by storage mails, compensation for which is paid on the weight basis, and which, if not carried in the mail car, would necessarily be carried in the baggage car. The companies have objected to the department's construction as to what constitutes mail for local delivery, and this has been a frequent cause for disagreement in connection with car space. The department takes the ground that mails for local delivery comprise that for stations along the line in insufficient quantity to warrant a separation, and that if there is a sufficient amount for any station or junction point to warrant a separation in piling, it becomes storage mail and additional payment for its space is not warranted. Objection has also been made to the practice of the department on long runs of transferring worked mail from working car to storage or baggage car and working mail in the reverse movement, but it is thought that no one will contend that the department ought to pay for space to store mails to be worked several hundred miles distant from the initial point of the car run. The department is willing and does pay for sufficient space to store the working mails necessary to employ the clerks over a reasonable length of run.

These details of the railroads' objections to the space proposition have been given in order to show that under the proposed bill the causes for the disagreements as to construction of regulations will largely disappear, inasmuch as all the space used will be paid for whether it is occupied by distribution requirements, by working mails, regis-

tered mails, local-delivery mails, or by storage mails. If the entire space in a 60-foot car is occupied by the mails in any way a 60-foot car will be authorized under the proposed plan. The present authorization in that particular car may be but 40 feet or 50 feet, but under the new plan it will be entitled to 60-foot pay and will receive that pay in each direction.

The proposed plan will also eliminate the "half line" and the "agreement line," about which so much has been said by the railroad representatives, and thereby the differences of opinion between the companies and the department with reference thereto will no longer exist.

It is interesting to observe that all the objections which the railroads' committee have urged against the present system of authorization of car space and against the proposed bill hold with equal force against the railroads' committee's proposed plan to extend the pay for space to cover apartment cars. This inconsistency apparently has not occurred to them.

With respect to the statement of Mr. Mack that the adoption of a five-unit plan would be more complicated than the present plan as to the weight feature, as now the mails are simply weighed to the route and the daily average ascertained, but the new plan maintains this method as to 37 per cent of the routes and as to all others requires separate weighing of all trains which do not have full railway post-office or apartment mail cars, and then as to trains having such cars it is necessary that the weight be taken of the mail placed in each car for determining the proposed loading rates, it may be said that the continuance of the present weighing and adjustment on 37 per cent of the routes does not assume the proportions indicated by Mr. Mack. The mail car-foot-mileage of the closed pouch routes shown in Table 6-F, Document No. 105, was 0.192 per cent of the mail car-foot-mileage on all routes. Therefore its insignificance from a weighing standpoint is apparent. Furthermore, the weighing on such routes is of the simplest character and is principally done by the postmasters without cost to the department. This applies with almost equal force to the weighing of closed-pouch trains on lines having railway post-office and apartment-car service. On most lines of this character the closed-pouch trains carry but little mails, and the weighing arrangements are simple and inexpensive. They can be handled with equal facility under the new plan. As to the weighing at terminals to determine the basis for loading charges, the department does not anticipate any difficulty or complication in securing these weights. As a matter of fact, mails are now separated at a majority of stations and at practically all terminals for the several cars of a train, and the weights for each particular car can be ascertained and determined without trouble. Under present methods of weighing and the system of truck tickets in vogue the separate weights per car are available if desired.

Answering the criticism of Mr. Mack as to the further complication that might ensue under the operation of the new plan if mails due to ordinarily connect a mail or storage car missed connection and were transported in a following train upon which there was no mail or storage car, the pay for the latter train being on a weight basis, there would be no compensation to the company for the carriage of the delayed mails, it may be stated that in such a case the pay for

the mail or storage car would not be reduced because of the missed connection; furthermore, there would be as much probability of missed connections during the statistical period as otherwise, and, therefore, the company would be adequately compensated on the weight basis.

Mr. Mack further states in this connection that it would be possible for the mail to be confined or limited during the weighing period to trains paid for on a space basis and thereafter to be carried on trains on which the mail carried is paid for on a weight basis, and as the mails transferred to such train were not carried thereon during the period of weighing the company would receive no compensation for its carriage. This criticism involves the assumption that the officers of the Government will be guilty of sharp practices in order to reduce the compensation to the railroads. The department does not wish any railroad to carry mails without compensation, neither would it countenance such practices as would be necessary to warrant the fears of Mr. Mack. The exigencies and demands of the service would govern and affect the action of the department in determining what mails were proper to handle in closed-pouch trains, and those influences would be as potent during the nonweighing period as during the weighing period. Undoubtedly previous to the weighing period steps would be taken to insure all mails possible being carried in the space paid for, and the maintenance of the policy of good faith with the railroads which the department has always endeavored to follow would dictate that the conditions existing during the weighing period should continue thereafter in so far as the fluctuating demands of the service will permit.

The assumption of Mr. Mack that a single route might have every factor represented in the service thereon and that consequently 67 separate and distinct computations would be necessary in order to ascertain the compensation on a route is an exaggeration. It is so improbable as to amount to a negligible consideration. The officers of the department are satisfied that the process of ascertainment of the compensation of a railroad will be much simpler than under the present system. In the first place there will be relief from the greater part of the expensive and annoying weighings, with the resulting voluminous consolidations and computations to ascertain the average daily weights and the rates per mile. The proposed plan continues the weighings on closed-pouch routes and trains, but, as pointed out hereinbefore, such service is but a small part of the whole service. On the railway post-office apartment and storage cars it simply involves the collection of data as to space, frequency, mileage, and load at terminals. With these data at hand the computations will be simple and the compensation can be readily ascertained without difficulty. Tables of rates, constant and loading terminal charges for different weights, etc., can be prepared, further simplifying the work of adjustment. The department views with equanimity the question of alleged complicated rates, and submits that even if Mr. Mack's contention were true it would be a poor argument in condemnation of the plan if it were scientific otherwise. No service as extensive and fluctuating as the great mail service of the country can expect to be administered upon a single basis. The efforts of the department in the study of the subject have been directed toward devising a plan that would be as simple as possible

in a service of such complex and varying character, and believes that the tentative plan presented in volume 8 is such a plan.

The criticisms with regard to the changes in the plans proposed by the department since the commencement of the present inquiry are not valid arguments against the merits of the suggested bill. These are evidence, rather, of the disposition of the department's officers to present the best results of study and judgment. This should be appreciated rather than depreciated. It is to be regretted that the railroads' committee have not reached some advanced position beyond that at which it started, or that it could not have contributed something constructive to the solution of the problem.

The papers of the railroads' representatives discuss in general terms the rates named in the suggested bill, and claim that they are noncompensatory, discriminatory, and confiscatory. In view of the presentation of the department on the subject of compensation, it is unnecessary to give any further attention to such claims.

The railroads' representatives further contend that the car-mile rate provided in the bill for apartment cars should be relatively the same as that paid for full railway post-office cars, on the ground that the expense to the companies is relatively the same in each case, and that if any distinction is to be made it should rather be in an increased rate for apartment cars, because of the retail character of the service performed by the latter, and, further, because in many cases the requirement of the running of an apartment car necessitates the operation of an extra 60-foot car, the remainder of which can not be utilized by the companies for their own purposes.

Adequate reply to this has been frequently made at the hearings and set forth in the department's statement heretofore filed. The operation of an entirely independent car in a train as a full railway post-office car can not be considered the same as the operation for the department of an apartment in a car which must be run and part of which is occupied by the railroad company for its own uses. Furthermore, the construction of a full car is, as a rule, much more expensive. In view of all of the considerations there is no warrant for paying as high for an apartment in a car, part of which is used by the railroad company for its own purposes, as for a full car which is operated in a train solely for the use of the department.

In his statement as to what would be necessary in the line of construction of cars by the companies under the requirements of the new plan, Mr. Mack seeks to convey the impression that the conditions in the service would radically change from those at present existing and to meet them the companies would find it necessary to construct and keep on hand a stock of each and every size of car specified in the tentative draft in order to meet the demands of the department. This was negatived at the hearing, but brief reference may be made to it again. The railroad representatives apparently base their assertion upon the theory that under the administration of the tentative plan, if it becomes law, the service at present being performed will be radically changed and that the department will at once proceed to cut down the postal-car service to a minimum, and in doing this will make demands on the railroads for the furnishing of cars of every size on every road. Anyone familiar with the Railway Mail Service will at once see that the view is unwarranted. As the departmental

officers view the probable application of the provisions of the suggested draft of law to the service, it will in most cases simply be a continuation of the present facilities furnished with such readjustments of space and authorization as seem to be required. There will be no radical disruption of present conditions. The cars now running will continue to run; new cars will not be necessary. The tendency will be, as explained at the hearings, to concentrate the mails on a train in the mail car or compartment where it can be done rather than to continue the loading of storage mails in the baggage car or compartment. This policy will undoubtedly justify the allowance of the full space in most cars or apartments now operated of a size in excess of the space needed for distribution and allied purposes, which only can be specially compensated for under the present law. The fears of the railroads as expressed in this respect are not well founded.

CONCLUSION.

The Post Office Department, believing that this extended examination of its data and conclusions has substantially verified them, respectfully submit the whole to the consideration of the joint committee.

JOSEPH STEWART,
*Second Assistant Postmaster General.*

## APPENDIX A.

STATEMENT OF DIFFERENCES BETWEEN APARTMENT AND FULL RAILWAY POST OFFICE CAR SPACE REPORTED BY THE COMPANIES COMPRISING THE MISSOURI PACIFIC SYSTEM AND AS TABULATED BY THE DEPARTMENT SHOWING REASONS FOR CHARGES TO "DEAD SPACE."

APARTMENT-CAR SPACE.

Route 145040, Pleasant Hill to Joplin, Mo., Missouri Pacific Railroad:

Company reported 30 feet distribution space and 25 feet deadhead in trains 207 and 208, evidently operating a 55-foot car. Thirty feet is all that was needed in either train. It could hardly be contended that the department should pay for deadhead space in each direction. The car-foot miles representing this deadhead movement was charged to "dead space."

Between C. & W. Junction and Webb City 22 feet deadhead apartment-car space in each direction in trains 631 and 632 was charged by company. No apartment-car service in these trains, and the car was apparently run by company for its own purposes. Charged by department to "dead space."

Five feet of storage space charged by company in the 30-foot apartment car operated in train 209, but which Railway Mail Service stated was not needed, was charged by the department to "dead space."

Total "dead space" on route, 235,148 car-foot miles, none of which could be legitimately charged as mail space.

Route 145042, Sedalia to Warsaw, Mo., Missouri Pacific Railroad:

Company charged 20 feet apartment-car space in trains 636 and 637 daily, including Sunday, whereas service not required on Sunday. Also charged .5 foot closed-pouch space on each day, whereas closed-pouch service only performed on Sunday. Necessary and proper revisions charged 6,776.46 car-foot miles to "dead space."

Route 145047, Jefferson City to Bagnell, Mo., Missouri Pacific Railroad:

Company charged 16 feet apartment-car space daily, including Sunday. No postal-car service on Sunday, but closed pouches carried. Necessary and proper revisions charged 5,558.63 car-foot miles to "dead space."

Route 145092, Cole Junction (n. o.) and Myrick Station (n. o.), Mo., Missouri Pacific Railroad:

Company reported 19 feet apartment-car space and 9 feet storage space in train 5 and 19 feet apartment-car space and 8 feet storage space in train 6. Railway Mail Service reported 15 feet only necessary in either train. Company also charged 5 feet space in baggage car in each of trains 631 and 632. Department charged mail service with 15 feet apartment space in each direction and 1.25 feet closed-pouch space in train 631 and 0.83 foot in train 632 and charged remainder to "dead space"—88,537 car-foot miles.

Route 145100, Webb City to Granby, Mo., Missouri Pacific Railroad:

Company reported 22 feet apartment-car space in two trains over route daily, except Sunday. No postal-car service on this line. Space charged to "dead space," 27,772.80 car-foot miles.

Route 155031, Osowatomie to Deering, Kans., Missouri Pacific Railroad:

Company reported 30 feet deadhead apartment-car space in trains 103 and 104 between Osawatomie and Yates Center, in addition to regular 30-foot apartment car. Not used or necessary for postal purposes. Charged to "dead space," 121,140 car-foot miles.

Route 155036, Fort Scott to Kiowa, Kans., Missouri Pacific Railroad:

Company reported 23 feet apartment-car space in trains 407 and 408, 703 and 704, and 20 feet in trains 705 and 706. Space necessary to handle all mails as reported by Railway Mail Service was 20 feet in trains 407 and 408 and 14 feet in other trains. Balance of space, 83,847.24 car-foot miles, charged to "dead space."

Route 155040, Atchison, Kans., to Omaha, Nebr., Missouri Pacific Railroad:

The company reported 26 feet apartment-car space in trains 131 and 132 and 23 feet of distribution space and 1 foot of storage space in trains 137 and 138. The space actually needed in trains 131 and 132 was reported by the Railway Mail Service to be 20 feet. No postal-car service operated in trains 137 and 138, the only mail service on those trains being closed-pouch service. The department charged to "dead space" on this route 52,231.32 car-foot miles, representing the items above detailed.

Route 155046, Eldorado to McPherson, Kans., Missouri Pacific Railroad:

Company reported 16 feet apartment-car space in trains 749 and 762. Railway Mail Service reported 12 feet actually needed. The residue, amounting to 12,812.80 car-foot-miles, was charged to "dead space."

Route 155067, Ottawa, Kans., to Towner, Colo., Missouri Pacific Railroad:

Company reported 22 feet apartment-car space used by the mails. Railway Mail Service reported 20 feet as ample for all purposes. The residue, amounting to 13,563.68 car-foot-miles, charged to "dead space."

Rouse 155067, Ottawa, Kans., to Towner, Colo., Missouri Pacific Railroad:

Company reported 30 feet apartment-car space and 30 feet deadhead space in each of four trains. 30-foot apartment car answered all needs of these trains. Apparently company operated 60-foot car and charged mail service with fufll space on this route; 1,390,806 car-foot miles charged to "dead space," representing the deadhead space reported by the company.

Route 155074, Conway Springs to Larned, Kans., Missouri Pacific Railroad:

Company reported 18 feet apartment-car space in two trains. Railway Mail Service reported 16 feet ample for all needs of the service; 12,740.40 car-foot-miles charged to "dead space," representing the balance of space reported by the company not needed by the department.

Route 155080, Rich Hill, Mo., to Fort Scott, Kans., Missouri Pacific Railroad:

Company reported 23 feet apartment-car space in trains 407 and 408. Railway Mail Service reported 20 feet ample for all purposes. The balance, 4,899.6 car-foot-miles, charged to "dead space."

Route 155084, Kansas City, Mo., to Atchison, Kans., Missouri Pacific Railroad:

Company reported 26 feet of apartment-car space in trains 131 and 132. Railway Mail Service reported 20 feet ample for all purposes. The balance, representing 14,682.72 car-foot-miles, charged to "dead space." In closed-pouch service on this route the company reported 6 feet of space in train 101 to accommodate a maximum of 69 and a minimum of 25 pouches and sacks in the car at one time, and, in train 102, 7 feet of space to accommodate a maximum of 6 pouches and a minimum of 1 pouch and sack in a car. Under departmental rules the allowance in train 101 was 5.83 feet, and in train 102, 0.83 foot. Balance charged to passenger space.

Route 155091, Kansas City, Mo., to Ottawa, Kans., Missouri Pacific Railroad:

Company reported 30 feet of apartment-car space in each of trains 1, 2, 3, 4, 103, 104, 105, and 106, and 30 feet deadhead apartment-car space in each of trains 1, 2, 3, 4, 103, and 104. The Railway Mail Service reported that 30 feet of space was ample in any one of these trains. Apparently the company operated 60-foot cars and charged full space to the mails. The car-foot-miles, 401,544, represented by this deadhead movement, were charged to "dead space."

Route 155094, Warwick, Kans., to Prosser, Nebr., Missouri Pacific Railroad:

Company reported 14 feet of apartment-car space in trains 643 and 644. Railway Mail Service reported 12 feet ample for the needs of those trains. The balance was charged to "dead space" and equaled 7,528.56 car-foot-miles.

Route 155095, Gypsum to Marquette, Kans., Missouri Pacific Railroad:

Company reported 30 feet of apartment-car space in trains 1 and 2 and 30 feet deadhead apartment-car space in same trains. Railway Mail Service reported 30 feet ample for all mail purposes in those trains; the balance, amounting to 48,348 car-foot-miles, charged to "dead space." Apparently company operated 60-foot car and charged full space to mail service.

Route 157038, Omaha to Auburn, Nebr., Missouri Pacific Railroad:

Company reported 23 feet apartment-car distribution and 5 feet storage space in trains 137 and 138, and 16 feet apartment-car space in trains 645 and and 648. Railway Mail Service reported 12 feet of space sufficient in trains 137 and 138 and 15 feet in trains 645 and 648. That amount of space was charged to the mail service, and the balance, equaling 67,517.84 car-foot-miles, charged to "dead space."

Route 157040, Union to Lincoln, Nebr., Missouri Pacific Railroad:

Company reported 16 feet apartment-car distribution space and 2 feet storage space in trains 633 and 634 and 16 feet of distribution space in trains 638 and

639. Fifteen feet reported by Railway Mail Service as being ample in all trains. This was charged to the mail service and the balance, equaling 9,907 car-foot miles, charged to "dead space."

Route 157059, Talmage to Crete, Nebr., Missouri Pacific Railroad:

Company reported 16 feet appartment-car space in trains 645 and 648. Fifteen feet ample for postal purposes in those trains, which was charged to mail service. The balance, equaling 3,019.64 car-foot miles, charged to "dead space."

Route 165036, Towner to Pueblo, Colo., Missouri Pacific Railroad:

Company reported 30 feet distribution apartment-car space in each of trains 1, 2, 3, and 4, and 30 feet deadhead space in each of the same trains. Thirty feet ample for all postal purposes. Apparently company operated 60-foot car and charged all space to mail service. The space reported by company as deadhead space, equaling 541,584 car-foot miles, was charged to "dead space."

Route 147009, Nashville to Hope, Ark., Missouri Pacific Railroad:

Company reported 16 feet of space in each of four trains. Fifteen feet needed by department. Balance, amounting to 2,838.08 car-foot miles, charged to "dead space."

Route 147051, Paris to Fort Smith, Ark., Missouri Pacific Railroad:

Company reported 14 feet apartment-car space daily, including Sunday. Postal-car service on week days only, closed-pouch service being performed on Sundays. Charge against mail service was revised accordingly and resulted in charging to "dead space" 4,868.64 car-foot miles.

Route 147002, Helena to Clarendon, Ark., Missouri Pacific Railroad:

Company reported 15 feet apartment-car space in trains 829 and 830 daily, including Sunday. No postal-clerk service on these trains on Sundays, closed-pouch service only being performed on that day. The charge against mail service was revised accordingly and resulted in a charge to "dead space" of 5,491.41 car-foot miles.

Route 147017, Smithton to Pike, Ark., Missouri Pacific Railroad:

Company reported 18 feet apartment-car space in trains 1 and 2. Railway Mail Service reported 15 feet sufficient for postal purposes in these trains. The balance, amounting to 3,447 car-foot miles, charged to "dead space."

Route 165001, Pueblo to Trinidad, Colo., Denver & Rio Grande, Missouri Pacific System:

Company reported 30 feet of apartment-car space in trains 109 and 114. Department reported 15 feet ample for postal purposes in those trains. Company also reported 6 feet storage space in train 115 in addition to the 30-foot apartment car. Railway Mail Service reported as not necessary. The surplus space was charged to "dead space," and amounted to 91,268 car-foot miles.

Route 165004, Mears Junction to Espanola, N. Mex., Denver & Rio Grande, Missouri Pacific System:

Company reported 25 feet distribution apartment-car space and 20 feet storage space in trains 115 and 116; 20 feet apartment-car space in trains 317 and 318; 20 feet apartment-car space and 3 feet storage in train 425, and 20 feet apartment and 4 feet storage space in train 426. Railway Mail Service reported 25 feet sufficient in trains 115 and 116, 15 feet in trains 317 and 318, and 12 feet in trains 425 and 426. The surplus space, amounting to 108,278 car-foot miles, charged to "dead space."

Route 165012, Salida to Grand Junction, Colo., Denver & Rio Grande, Missouri Pacific System:

Company reported 20 feet of apartment-car space and 3 feet of storage space in train 315, Salida to Montrose, and 30 feet of apartment-car space in same train, Montrose to Grand Junction, 30 feet apartment-car space in train 316 between Grand Junction and Montrose, and 26 feet, Montrose to Salida, and 20 feet apartment-car space in trains 317 and 318, Salida to Mears. Railway Mail Service reported 20 feet sufficient in trains 315 and 316, and 15 feet in trains 317 and 318. This amount of space was charged to mail service and the balance, equaling 46,444 car-foot miles, charged to "dead space."

Route 165018, Glenwood Springs to Aspen, Colo., Denver & Rio Grande, Missouri Pacific System:

Company reported 30 feet apartment-car space in trains 227 and 228. Railway Mail Service reported 10 feet sufficient. The balance was charged to "dead space" and equaled 51,240 car-foot miles.

Route 165019, Denver to Newcastle, Colo., Denver & Rio Grande, Missouri Pacific system:

Company reported 30 feet of apartment-car space and 20 feet storage space in train 5 as necessary, a total of 50 feet. Railway Mail Service reported

that 40 feet space was sufficient. The balance was charged to "dead space" and equaled 77,658 car-foot miles.

Route 165025, Delta to Somerset, Colo., Denver & Rio Grande, Missouri Pacific System:

Company reported 21 feet of apartment-car space in trains 377 and 378. Railway Mail Service reported 10 feet sufficient for postal purposes. The balance, 11 feet, was charged to "dead space" and equaled for the period 28,030 car-foot miles.

Route 165037, Montrose to Ouray, Colo., Denver & Rio Grande, Missouri Pacific System:

Company reported 20 feet apartment-car space in train 367 and 26 feet in train 368. Railway Mail Service reported 15 feet sufficient in each train, which was charged. The balance, equaling 17,230.50 car-foot miles, charged to "dead space."

Route 165042, Newcastle to Grand Junction, Colo., Denver & Rio Grande, Missouri Pacific System:

Company reported in trains 3 and 5, in addition to 30 feet apartment-car space, 1 foot storage space in train 3 and 5 feet storage in train 5. Railway Mail Service reported that this space was not necessary, and it was therefore charged to "dead space," which equaled 13,841 car-foot miles.

Route 167002, Antonito to Silverton, Colo., Denver & Rio Grande, Missouri Pacific System:

Company reported 20 feet apartment-car space in trains 115 and 116 between Antonito and Durango and in the same trains between Durango and Silverton. Railway Mail Service reported 10 feet of space ample between Durango and Silverton. Surplus space charged to "dead space," 27,108 car-foot miles. The car in these trains between Durango and Silverton was not the same car operated between Antonito and Durango.

Route 167011, Espanola to Santa Fe, N. Mex., Denver & Rio Grande, Missouri Pacific System:

Company reported 20 feet apartment-car space, while Railway Mail Service reported 12 feet sufficient for all purposes. Balance, amounting to 14,032 car-foot miles, charged to "dead space."

Route 169002, Grand Junction, Colo., to Ogden, Utah, Denver & Rio Grande, Missouri Pacific System:

Company reported 21 feet apartment-car space in trains 409 and 410 between Springville and Salt Lake. Railway Mail Service reported 15 feet sufficient for postal purposes. Company also reported 4 feet storage space additional to 30-foot apartment car in train 5 between Grand Junction and Ogden. Railway Mail Service stated 30 feet ample for all postal purposes. The surplus space, amounting to 57,228 car-foot miles, charged to "dead space."

Route 169015, Springville, Utah, to Silver City, N. Mex., Denver & Rio Grande, Missouri Pacific System:

Company reported 21 feet apartment-car space in trains 409 and 410. Railway Mail Service reported 15 feet sufficient for postal purposes. The balance, amounting to 16,232.40 car-foot miles, charged to "dead space."

Route 150008, Houston to Columbia, Tex., International & Great Northern, Railway, Missouri Pacific System:

Company charged mail service with 17 feet apartment-car space in trains 404 and 405. Railway Mail Service reported 15 feet ample for postal purposes. The balance amounting to 5,233.28 car-foot miles, charged to "dead space."

Route 150032, Mineola to Troup, Tex., International & Great Northern Railway, Missouri Pacific System:

Company reported 21 feet apartment-car space in trains 205 and 206. Fifteen feet reported sufficient by Railway Mail Service. Balance, amounting to 15,912 car-foot miles, charged to "dead space."

Route 150126, San Antonio to International Boundary, Texas, International & Great Northern Railway, Missouri Pacific System:

Company reported 30 feet apartment-car space and 37 feet storage in train 5, and 30 feet apartment-car space and 30 feet deadhead space in train 4. Railway Mail Service reported 30 feet apartment-car space and 15 feet storage sufficient in train 5, and 30-foot apartment car sufficient in train 4. Company apparently operated 60-foot car. Forty-five feet was charged to mail service in train 5 and 30 feet in train 4. The balance, amounting to 240,052.80 car-foot miles, charged to "dead space."

Route 149056, F. & S. Junction (n. o.) to Monroe, La., Little Rock & Monroe Railway Co., Missouri Pacific System:

Company reported 16 feet apartment-car space and 6 inches closed-pouch space daily, including Sunday. Railway Mail Service reported 15 feet apartment-car space used by mail service daily except Sunday and closed-pouch space Sunday only. The correct assignment of space resulted in charging to "dead space" 7,018.20 car-foot miles.

Route 147067, P. B. & W. Junction (n. o.) to Benton, Ark., Pine Bluff & Western Railroad Co., Missouri Pacific System.

Company reported 23 feet apartment-car space daily, including Sunday. Railway Mail Service reported 15 feet of space sufficient and only used daily except Sunday, closed-pouch service being performed on Sunday. Reassignment of space on this basis resulted in charge to "dead space" of 26,552.40 car-foot miles.

Route 145027, Cairo, Ill., to Poplar Bluff, Mo., St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Railroad reported 20 feet apartment-car space in trains 431 and 436. Railway Mail Service reported 15 feet ample for postal purposes. The balance, amounting to 22,086 car-foot miles, charged to "dead space."

Route 145034, Bismarck, Mo., to Columbus, Ky., St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Company reported 26 feet apartment-car space in trains 422, 423, 410, and 425. Railway Mail Service reported 20 feet ample in trains 422 and 423 and none needed or used in trains 410 and 425. In the first two trains the balance was charged to "dead space" and amounted to 43,488 car-foot miles. In trains 410 and 425 the space reported was thrown into passenger space and was not tabulated separately. Departmental rule was not followed here.

Route 145062, Springfield to Crane, Mo., St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Original statement of company reported only two trains on this route. Investigation disclosed the fact that four additional trains were operated, which upon being reported to the company brought forth a supplemental report for such trains, which added 406,440 car-foot miles to the passenger service.

Route 147004, Halley to Warren, Ark., St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Company reported 18 feet apartment-car space in trains 825 and 826 daily, including Sunday. Railway Mail Service reported a car used for postal purposes daily except Sunday, no mail service of any kind being performed on Sunday, and that 15 feet of space was sufficient on week days. The balance, amounting to 13,389 car-foot miles, charged to "dead space."

Route 147012, Knobel to Helena, Ark., St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Company reported 21 feet of apartment-car space and 4 feet of storage space in trains 9 and 10, and 20 feet of apartment-car space in trains 309 and 310. Railway Mail Service reported 20 feet of space ample for postal purposes in all trains. The balance, amounting to 28,032 car-foot miles, charged to "dead space."

Route 147023, Memphis, Tenn., to Bald Knob, Ark., St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Company reported 20 feet of apartment-car space in trains 223 and 204, and 16 feet of apartment-car space and 3 feet storage space in train 205, 16 feet apartment-car space in train 202, and 30 feet apartment car and 2 feet storage in train 931. Railway Mail Service reported 15 feet of space ample for all postal purposes in the first four trains named and 30 feet in train 931. Surplus space was charged by the department to "dead space," and amounted to 44,640 car-foot miles.

Route 147044, McGehee, Ark., to Clayton Junction, La.; St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Company reported 18 feet apartment-car space in trains 825 and 826 daily, including Sunday. Railway Mail Service reported 15 feet apartment-car space utilized only on week days, with closed-pouch service on Sundays. Reassignment of space on this basis resulted in charge to "dead space" of 2,699.52 car-foot miles.

Route 147057, Arkansas Southwestern Railway Junction (n. o.) to Womble, Ark.; Gurdon & Fort Smith Railway, Missouri Pacific System:

Company reported 18 feet apartment-car space in trains 1 and 2. Railway Mail Service reported 15 feet sufficient for postal purposes. The balance, amounting to 7,090.20 car-foot miles, was charged to "dead space."

Route 147060, Arkansas City to Trippe Junction (n. o.), Ark.; St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Company reported 15 feet apartment-car space in each of four trains daily, including Sunday. Postal-clerk service in these trains on week days only, closed-pouch service being performed on Sundays. Reassignment of space on this basis charged to "dead space," 4,256.48 car-foot miles.

Route 153005, Fort Smith, Ark., to Coffeyville, Kans.; St. Louis, Iron Mountain & Southern Railway Co., Missouri Pacific System:

Company reported 30 feet apartment-car space and 30 feet "deadhead space" in each of trains 103 and 104. Railway Mail Service reported 30 feet apartment-car space all that was needed in those trains. Company apparently operated 60-foot car and charged department with full space. The surplus was charged to "dead space," and amounted to 295,002 car-foot miles.

Route 147026, Little Rock to Altheimer, Ark.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 26 feet of apartment-car space in trains 31 and 32 daily, including Sunday, and the same amount of space in trains 35 and 36. Railway Mail Service reported 15 feet ample on each train, and that postal-clerk service was performed in trains 31 and 32 daily, except Sunday, closed-pouch service being performed on Sunday. Reassignment of space on basis of needs resulted in charging to "dead space" 63,699.79 car-foot miles.

Route 147030, Stuttgart to Gillett, Ark.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Company charged mail service with 26 feet apartment-car space in trains 25 and 26. Fifteen feet reported sufficient for postal purposes. Balance charged to "dead space," amounting to 23,123 car-foot miles.

Route 147042, Cairo, Ill., to Texarkana, Tex.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 26 feet apartment-car space, trains 1 and 2 between Alden and Jonesboro, and 4 feet storage space additional in train 2. Railway Mail Service reported 15 feet ample for postal purposes. Also reported 30 feet "deadhead space" in trains 3 and 4 between Fair Oaks and Malden. Railway Mail Service reported this space not needed in either train. Company evidently operated 60-foot car and charged mail service with all space. Company also reported 26 feet apartment-car space in trains 25, 26, 31, and 32, in which trains Railway Mail Service reported 15 feet ample for postal purposes. The surplus space was charged to "dead space," and amounted to 280,808.40 car-foot miles.

Route 149019, Lewisville, Ark., to Shreveport, La.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Twenty-six feet apartment-car space charged to mail service in trains 23 and 24. Fifteen feet reported ample for postal purposes. The balance, equaling 35,361 car-foot miles, charged to "dead space."

Route 150164, Corsicana to Hillsboro, Tex., St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 25 feet of apartment-car space in trains 503 and 504 daily, including Sunday. No postal-clerk service on these trains on Sundays; closed-pouch service being performed; and 15 feet ample on week days. Rearrangement of space on this basis resulted in charging to "dead space" 29,663.80 car-foot miles.

Route 150067, Mount Pleasant to Fort Worth, Tex., St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 26 feet apartment-car space in each of trains 101, 102, 103, and 104. Railway Mail Service reported 25 feet necessary in train 101, and 20 feet in each of the other trains, which was charged by the department to the mail service. The balance, amounting to 88,224.60 car-foot miles, was charged to "dead space."

An error was made here in that 25 feet was not charged to mail space in train 102, the return movement of train 101. Had this been properly charged it would have reduced the charge to "dead space" 23,217 car-foot miles.

Route 150025, Texarkana to Waco, Tex.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 30 feet apartment-car space in trains 3 and 4. This was reduced to 20 feet by the department, except in train 4 between Mount Pleasant

and Texarkana. It appears that in this case the department made an error and should have charged only 20 feet between Mount Pleasant and Texarkana, instead of 30 feet. The readjustments actually made charged to dead space 136,470 car-foot miles. This should have been increased 18,138 car-foot miles making a total of 154,608 car-foot miles.

Route 150042, Noel Junction to Dallas, Tex.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 26 feet of apartment-car space in each of trains 201, 202, 205, and 206. Railway Mail Service reported 25 feet necessary in train 201, and 20 feet in the other trains, which was charged to mail service by the department, the balance going to "dead space."

An error was made here in that 25 feet of space should have been charged to mail service in train 202. This would have reduced the amount of car-foot miles charged to dead space 2,120 car-foot miles, making the total 5,860, instead of 7,980 car-foot miles.

Route 150144, Tyler to Lufkin, Tex.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 22 feet apartment-car space in trains 403 and 404. Railway Mail Service reported 15 feet sufficient for postal purposes. The balance, amounting to 37,636.20 car-foot miles, charged to "dead space."

Route 150060, Commerce to Sherman, Tex.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 26 feet apartment-car space in trains 203 and 204. Railway Mail Service reported 15 feet ample for postal purposes. Balance, amounting to 34,452 car-foot miles, charged to "dead space."

Route 150127, Waco to Gatesville, Tex.; St. Louis Southwestern Railway Co., Missouri Pacific System:

Company reported 22 feet apartment-car space in trains 1 and 2. Railway Mail Service reported 15 feet sufficient. Balance charged to "dead space," equaling 19.740 car-foot miles.

Route 149002, New Orleans, La., to Marshall, Tex.; Texas & Pacific Railway Co., Missouri Pacific System:

Company reported 25 feet apartment-car space in trains 55 and 56 between New Orleans and Addis, and in trains 57 and 58 between Shreveport and Marshall. Railway Mail Service reported 20 feet ample in the former trains, and no postal-clerk service in the two latter trains. Readjustment of space by the department charged to "dead space" 76,791 car-foot miles.

Route 149017, Cypress to Shreveport, La.; Texas & Pacific Railway Co., Missouri Pacific System:

Company reported 25 feet apartment-car space in trains 75 and 76 daily, including Sunday. No postal-clerk service in those trains on Sunday; closed-pouch service only being performed, and 15 feet reported ample for postal purposes. Reassignment of space on this basis resulted in charging to "dead space" 62,222 car-foot miles.

Route 149018, Addis to Ferriday, La., Texas & Pacific Railway Co., Missouri Pacific System.

Company reported 25 feet apartment-car space in trains 61 and 62 between Addis and Ferriday, and 55 and 56 between Addis and Torras. Railway Mail Service reported 15 feet ample in first two trains, and 20 feet in trains 55 and 56. Surplus space charged to "dead space" and equaled 85,008 car-foot miles.

Route 149034, Simmesport to Bunkie, La., Texas & Pacific Railway Co., Missouri Pacific System:

Company reported 11 feet apartment-car space daily, including Sunday. No postal-clerk service on this train on Sunday, closed-pouch service only being performed on that day, and 10 feet was ample for postal purposes. Reassignment of space on this basis charged to "dead space," 3,570 car-foot miles.

Route 149035, Junction to Macksville, La., Texas & Pacific Railway Co., Missouri Pacific System:

Company reported 11 feet of apartment-car space in each of four trains daily, including Sunday. No postal-clerk service in these trains on Sunday, and 10 feet of space ample for postal purposes. Readjustment of space on this basis charged to "dead space," 2,464 car-foot miles.

Route 149039, Texarkana, Ark., to Shreveport, La., Texas & Pacific Railway Co., Missouri Pacific System:

Company reported 25 feet apartment car daily, including Sunday. No postal-clerk service on this train or closed-pouch service on Sunday. The space charged by company for Sunday service was transferred to "dead space" and amounted to 15,322 car-foot miles.

Route 149059, Simmesport to Melville; Texas & Pacific Railway Co., Missouri Pacific System:

Company reported 11 feet apartment car daily, including Sunday. No postal-clerk service on this train Sunday, closed-pouch service only being performed, and 10 feet apartment-car space sufficient. Readjustment of space on this basis charged to "dead space," 3,145.80 car-foot miles.

Route 150073, Whitesboro to Fort Worth, Tex.; Texas & Pacific Railway Co., Missouri Pacific System:

Company reported 25 feet apartment-car space in trains 31 and 32. No postal-clerk service on this route, closed-pouch service only being performed. This apartment car is the car run in the Texarkana & Whitesboro R. P. O., trains 31 and 32, and is run through to Fort Worth, but is not used for postal purposes. The car-foot miles represented by this movement equaled 106,995 car-foot miles, which was charged to "dead space."

Route 145070, Tower Grove Station (n. o.) to Kirkwood Branch Connection (n. o.), Mo.; St. Louis, Iron Mountain & Southern Co., Missouri Pacific System:

Company reported 26 feet apartment-car space in train 23, and 28 feet in train 22 (St. Louis & Columbus R. P. O.). Railway Mail Service reported 20 feet ample for postal purposes. Balance, equaling 2,982 car-foot miles, charged to "dead space."

Route 147041, Kirkwood Branch Connection (n. o.), Mo., to Texarkana, Ark.; St. Louis, Iron Mountain & Southern Railway, Missouri Pacific System.

Company reported 26 feet distribution and 2 feet storage apartment-car space in trains 22 and 23 between Kirkwood Branch Connection and Bismarck (St. Louis & Columbus R. P. O.). Railway Mail Service reported 20 feet sufficient for postal purposes. Balance representing 28,799.4 car-foot miles, charged to "dead space."

Company also reported 25 feet apartment-car space in trains 9 and 10 between Poplar Bluff and Knobel. Twenty feet only needed in these trains. Balance should have been charged to "dead space," but through error was not deducted; so car-foot-miles reported by company was charged to "mail service." By this error 9,894 car-foot miles were erroneously charged to mail service.

Route 150007, Longview to San Antonio, Tex.; International & Great Northern Railroad, Missouri Pacific System:

Company reported 30 feet apartment-car space in train 2 between Palestine and Longview. Closed-pouch service only on this train; 68,096 car-foot miles charged to "dead space." This car is the return movement of 30 feet apartment-car run in train 5 between the same points, which train takes the full car to San Antonio brought from Longview on train 7. Full car returned over route in train 4. While the charge made by the department was in accordance with the rule, the company might have been credited with the space used in this return movement. Company reported 30 feet apartment-car space in trains 7, 8, and 9. Railway Mail Service reported 15 feet sufficient for postal purposes in train 7 and 20 feet in trains 8 and 9. Difference, amounting to 231,525 car-foot miles, charged to "dead space."

Route 150009, Texarkana, Ark., to El Paso, Tex., Texas & Pacific Railway, Missouri Pacific System:

Company reported 30 feet apartment-car space in trains 3 and 4 between Big Spring and El Paso. Railway Mail Service reported 15 feet sufficient in train 3 and 20 feet in train 4. Balance, amounting to 259,695 car-foot-miles, charged to "dead space." Department probably should have charged mail service with 20 feet in each train. This would have reduced the charge to "dead space" 51,939 car-foot miles, leaving a remainder of 207,756 car-foot miles as correct "dead-space" charge.

Route 145001, St. Louis to Kansas City, Mo., Missouri Pacific Railway:

Company reported 19 feet apartment-car space and 9 feet storage space in train 5 and 19 feet apartment-car space and 8 feet storage space in train 6 between Jefferson City and Kansas City. Railway Mail Service reported 15 feet ample for postal purposes. Balance, representing 6,618.60 car-foot miles, charged to "dead space." This should have been 1,443.60 car-foot miles more, as the computation was not carried through for one train.

Company reported 30 feet apartment-car space and 5 feet storage in train 212, 30 feet apartment-car space and 25 feet deadhead space in trains 214 and

215 between Kansas City and Pleasant Hill, Mo. Thirty feet in each train reported by Railway Mail Service as sufficient. Remainder charged to "dead space," 56,859 car-foot miles.

Company reported 20 feet apartment-car space, in trains 621 and 622 and 25 feet apartment-car space in trains 623 and 624 between Independence and Kansas City, Mo. Railway Mail Service reported 15 feet sufficient in each train. Balance of space, 9,144 car-foot miles, charged to "dead space."

Company reported 26 feet apartment-car space in train 23 and 28 feet apartment-car space in train 22 between St. Louis and Tower Grove station (n. o.), Mo. Twenty feet reported as sufficient by Railway Mail Service. Balance of space, 1,213.80 car-foot miles, charged to "dead space."

*Statement of dead space as revised on routes of the Missouri Pacific System.*

APARTMENT-CAR SPACE.

| Route No. | Dead space car-foot miles charged by department. | Dead space car-foot miles incorrectly charged by department and which should have been charged as deadhead space. | Mail space charged by department which should have been charged as dead space. | Dead space charged by department which should have been charged to mail space. | Dead space car-foot miles properly chargeable upon revision. |
|---|---|---|---|---|---|
| 145040 | 235,148.00 | | | | 235,148.00 |
| 145042 | 6,776.46 | | | | 6,776.46 |
| 145047 | 5,558.63 | | | | 5,558.63 |
| 145092 | 88,537.00 | | | | 88,537.00 |
| 145100 | 27,772.80 | | | | 27,772.80 |
| 155031 | 121,140.00 | | | | 121,140.00 |
| 155036 | 83,847.24 | | | | 83,847.24 |
| 155040 | 52,231.32 | | | | 52,231.32 |
| 155046 | 12,812.80 | | | | 12,812.80 |
| 155060 | 13,563.68 | | | | 13,563.68 |
| 155067 | 1,390,806.00 | | | | 1,390,806.00 |
| 155074 | 12,740.40 | | | | 12,740.40 |
| 155080 | 4,899.60 | | | | 4,899.60 |
| 155084 | 14,682.72 | | | | 14,682.72 |
| 155091 | 401,544.00 | | | | 401,544.00 |
| 155094 | 7,528.56 | | | | 7,528.56 |
| 155095 | 48,348.00 | | | | 48,348.00 |
| 157038 | 67,517.84 | | | | 67,517.84 |
| 157040 | 9,907.00 | | | | 9,907.00 |
| 157059 | 3,019.64 | | | | 3,019.64 |
| 165036 | 541,584.00 | | | | 541,584.00 |
| 147009 | 2,838.08 | | | | 2,838.08 |
| 147051 | 4,868.64 | | | | 4,868.64 |
| 147002 | 5,491.41 | | | | 5,491.41 |
| 147017 | 3,447.00 | | | | 3,447.00 |
| 165001 | 91,268.00 | | | | 91,268.00 |
| 165004 | 108,278.00 | | | | 108,278.00 |
| 165012 | 46,444.00 | | | | 46,444.00 |
| 165018 | 51,240.00 | | | | 51,240.00 |
| 165019 | 77,658.00 | | | | 77,658.00 |
| 165025 | 28,030.00 | | | | 28,030.00 |
| 165037 | 17,230.50 | | | | 17,230.50 |
| 165042 | 13,841.00 | | | | 13,841.00 |
| 167002 | 27,108.00 | | | | 27,108.00 |
| 167011 | 14,032.00 | | | | 14,032.00 |
| 169002 | 57,228.00 | | | | 57,228.00 |
| 169015 | 16,232.40 | | | | 16,232.40 |
| 150008 | 5,233.28 | | | | 5,233.28 |
| 150032 | 15,912.00 | | | | 15,912.00 |
| 150126 | 240,052.80 | | | | 240,052.80 |
| 149056 | 7,018.20 | | | | 7,018.20 |
| 147067 | 26,552.46 | | | | 26,552.46 |
| 145027 | 22,086.00 | | | | 22,086.00 |
| 145034 | 43,488.00 | | | | 43,488.00 |
| 145062 [1] | | | | | |
| 147004 | 13,389.00 | | | | 13,389.00 |
| 147012 | 28,032.00 | | | | 28,032.00 |
| 147023 | 44,640.00 | | | | 44,640.00 |
| 147044 | 2,699.52 | | | | 2,699.52 |
| 147057 | 7,090.20 | | | | 7,090.20 |
| 147060 | 4,256.48 | | | | 4,256.48 |
| 153005 | 295,002.00 | | | | 295,002.00 |
| 147026 | 63,699.79 | | | | 63,699.79 |
| 147030 | 23,123.00 | | | | 23,123.00 |
| 147042 | 280,808.40 | | | | 280,808.40 |

[1] 406.440 added to passenger space on this route, but not tabulated here

*Statement of dead space as revised on routes of the Missouri Pacific system*—Con.

APARTMENT-CAR SPACE.

| Route No. | Dead space car-foot miles charged by department. | Dead space car-foot miles incorrectly charged by department and which should have been charged as deadhead space. | Mail space charged by department which should have been charged as dead space. | Dead space charged by department which should have been charged to mail space. | Dead space car-foot miles properly chargeable upon revision. |
|---|---|---|---|---|---|
| 149019 | 35,361.00 | | | | 35,361.00 |
| 150064 | 29,663.80 | | | | 29,663.80 |
| 150067 | 88,224.60 | | | 23,217.00 | 65,007.60 |
| 150025 | 136,470.00 | | 18,138.00 | | 154,608.00 |
| 150042 | 7,980.00 | | | 2,120.00 | 5,860.00 |
| 150044 | 37,636.20 | | | | 37,636.20 |
| 150060 | 34,452.00 | | | | 34,452.00 |
| 150127 | 19,740.00 | | | | 19,740.00 |
| 149002 | 76,791.00 | | | | 76,791.00 |
| 149017 | 62,222.00 | | | | 62,222.00 |
| 149018 | 85,008.00 | | | | 85,008.00 |
| 149034 | 3,570.00 | | | | 3,570.00 |
| 149035 | 2,464.00 | | | | 2,464.00 |
| 149039 | 15,322.00 | | | | 15,322.00 |
| 149059 | 3,145.80 | | | | 3,145.80 |
| 150073 | 106,995.00 | | | | 106,995.00 |
| 145070 | 2,982.00 | | | | 2,982.00 |
| 147041 | 28,799.40 | | 9,894.00 | | 38,693.40 |
| 150007 | 299,621.00 | 231,525.00 | | | 68,096.00 |
| 150009 | 259,695.00 | 51,939.00 | | | 207,756.00 |
| 145001 | 6,618.60 | | [1] 1,443.60 | | 8,062.20 |
| | 56,859.00 | | | | 56,859.00 |
| | 9,144.00 | | | | 9,144.00 |
| | 1,213 80 | | | | 1,213.80 |
| | 6,248,262.05 | 283,464.00 | 29,475.60 | 25,337.00 | 5,968,936.65 |
| Net reduction | | | | | 279,325.40 |

[1] Error in computation.

*Railway post office car space.*

ROUTES 145001 (PART)–145070–147041 (PART)—ST. LOUIS, MO., TO LITTLE ROCK, ARK.

| Train No. | Space authorized by department. | Space reported by company. | Space as charged by department. | Charged to dead space by department. | Car-foot miles of dead space. | Car-foot miles of space incorrectly charged to dead space. |
|---|---|---|---|---|---|---|
| | | | | *Feet.* | | |
| 3 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | 14 | 146,483.40 | ..... |
| | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | | | |
| | | 29-foot storage... | 15-foot storage.. | | | |
| 5 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | 7 | 73,241.70 | ..... |
| | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | | | |
| | | 22-foot storage.... | 15-foot storage.. | | | |
| 7 | One 60 foot car.. | One 60-foot dist..... | One 60-foot dist..... | 8 | 83,704.80 | ..... |
| | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | | | |
| | | 38-foot storage.... | 30-foot storage.. | | | |
| 4 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | 61 | 633,047.10 | [1] 627,786.00 |
| | | One 60-foot D. H..... | ..... | | | |
| | | 1-foot storage.... | ..... | | | |
| 6 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | 20 | 209,262.00 | ..... |
| | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | | | |
| | | 20-foot storage.... | ..... | | | |
| 8 | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | 20 | 207,528.00 | ..... |
| | | 20-foot storage.... | ..... | | | |
| 28–10 | One 40-foot car.. | One 40-foot dist..... | ..... | 20 | 99,522.00 | [2] 99,522.00 |
| | | 20-foot storage.... | ..... | | | |
| | 560 feet..... | 770 feet..... | 620 feet..... | 150 | 1,452,789.00 | 727,308.00 |

[1] Return of 60-foot car authorized south bound erroneously charged to "dead space."

[2] 40 feet distribution and 20 feet storage charged Little Rock to Poplar Bluff, and 40 feet distribution and 20 feet dead space, Poplar Bluff to St. Louis. Should have been charged as 60 feet distribution whole distance, being return of a 60-foot authorization.

*Railway post office car space*—Continued.

ROUTE 147041—LITTLE ROCK TO TEXARKANA, ARK.

| Train No. | Space authorized by department. | Space reported by company. | Space as charged by department. | Charged to dead space by department. | Car-foot miles of dead space. | Car-foot miles of space incorrectly charged to dead space. |
|---|---|---|---|---|---|---|
| | | | | *Feet.* | | |
| 3 | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | 19 | 82,427.70 | ..... |
| | ..... | 20-foot storage.... | 15-foot storage.. | | | |
| | ..... | 14-foot storage.... | ..... | | | |
| 5 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | 4 | 17,353.20 | ..... |
| | ..... | 4-foot storage.... | ..... | | | |
| 7 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | None. | ..... | ..... |
| | ..... | 40-foot storage.... | 40-foot storage.. | | | |
| 8 | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | 20 | 86,766.00 | ..... |
| | ..... | 20-foot storage.... | ..... | | | |
| 6 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | 4 | 17,353.20 | ..... |
| | ..... | 4-foot storage.... | ..... | | | |
| 4 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist..... | 2 | 8,676.60 | ..... |
| | ..... | 2-foot storage.... | ..... | | | |
| | 320 feet..... | 424 feet..... | 375 feet..... | 49 | 212,576.70 | ..... |

ROUTE 150009 (PART)—TEXARKANA, ARK., TO LONGVIEW, TEX.

| | | | | | | |
|---|---|---|---|---|---|---|
| 3 | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | 11 | 29.828.70 | ..... |
| | ..... | 21-foot storage.... | 10-foot storage.. | | | |
| 5 | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist..... | None. | ..... | ..... |
| | ..... | 11-foot storage.... | 11-foot storage.. | | | |
| 4 | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | 20 | 147.684.00 | ..... |
| | ..... | 20-foot storage.... | ..... | | | |
| 6 | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist..... | 10 | 26.940.00 | ..... |
| | ..... | 10-foot storage.... | ..... | | | |
| 105 | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist..... | 17 | 37.716.00 | ..... |
| | ..... | 10-foot storage.... | 20-foot storage.. | | | |
| | ..... | 27-foot storage.... | ..... | | | |
| 104 | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist..... | 10 | 27.117.00 | ..... |
| | ..... | 10-foot storage.... | ..... | | | |
| | 280 feet..... | 389 feet..... | 321 feet..... | 68 | 249.285.70 | ..... |

ROUTE 150009 (PART)—LONGVIEW TO FORT WORTH, TEX.

| | | | | | | |
|---|---|---|---|---|---|---|
| 3 | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | 16 | 75,043.00 | ..... |
| | ..... | 21-foot storage.... | 5-foot storage.. | | | |
| 5 | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist..... | None. | ..... | ..... |
| | ..... | 11-foot storage.... | 11-foot storage.. | | | |
| 4 | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist..... | 20 | 107.604.00 | ..... |
| | ..... | 20-foot storage.... | ..... | | 40.080.00 | ..... |
| 6 | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist..... | 10 | 46.902.00 | ..... |
| | ..... | 10-foot storage.... | ..... | | | |
| | 180 feet..... | 242 feet..... | 196 feet..... | 46 | 269.629.00 | ..... |

ROUTE 150007—LONGVIEW TO SAN ANTONIO, TEX.

| | | | | | | |
|---|---|---|---|---|---|---|
| 7–5 | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist..... | 12 | 93.204.00 | ..... |
| | ..... | 10-foot storage.... | 25-foot storage.. | | 29.268.00 | ..... |
| | ..... | 27-foot storage.... | ..... | | | |
| 4 | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist..... | 10 | 77.670.00 | ..... |
| | ..... | 10-foot storage.... | ..... | | 24.390.00 | ..... |
| | 100 feet..... | 147 feet..... | 125 feet..... | 22 | 224.532.00 | ..... |

*Railway post office car space*—Continued.

ROUTE 145001—ST. LOUIS TO KANSAS CITY, MO.

| Train No. | Space authorized by department. | Space reported by company. | Space as charged by department. | Charged to dead space by department. | Car-foot miles of dead space. | Car-foot miles of space incorrectly charged to dead space. |
|---|---|---|---|---|---|---|
| | | | | *Feet.* | | |
| 1 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist.... | None. | ..... | ..... |
| | ..... | 10-foot storage... | 10-foot storage. | | | |
| 3 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist.... | None. | ..... | ..... |
| | ..... | 14-foot storage... | 14-foot storage. | | | |
| 2 | Two 60-foot cars. | Two 60-foot dist..... | Two 60-foot dist.... | None. | ..... | ..... |
| 7 | Three 60-foot cars | Three 60-foot dist..... | Three 60-foot dist.... | 32 | 271,180.80 | ..... |
| | One 40-foot car.. | One 40-foot dist..... | One 40-foot dist.... | | | |
| | ..... | 20-foot storage... | 60-foot storage. | | | |
| | ..... | 70-foot storage... | ..... | | | |
| | ..... | 2-foot storage... | ..... | | | |
| 12 | Two 60-foot cars | Two 60-foot dist..... | Two 60-foot dist.... | None. | ..... | ..... |
| 4 | One 60-foot car.. | Two 60-foot dist. D. H. | One 60-foot D. H.... | 92 | 779,644.80 | ..... |
| | One 40-foot car.. | One 70-foot storage D. H. | One 40-foot D. H.... | | | |
| | ..... | 2-foot storage..... | ..... | | | |
| 9 | One 60-foot car.. | One 60-foot dist..... | One 60-foot dist.... | None. | ..... | ..... |
| | One 50-foot car.. | One 50-foot dist..... | One 50-foot dist.... | | | |
| | ..... | 14-foot storage..... | 14-foot storage..... | | | |
| 8 | One 50-foot car.. | One 60-foot dist..... | One 50-foot dist.... | 10 | 84,744.00 | ..... |
| | One 60-foot car.. | One 60-foot D. H..... | One 60-foot D. H.... | | | |
| | 900 feet..... | 1,132 feet..... | 998 feet..... | 134 | 1,135,569.60 | ..... |

| | |
|---|---|
| Grand total dead space railway post-office car service shown in above table | 3,544,382 |
| "Deadhead space" erroneously charged as "dead space" | 727,308 |
| Total "dead space" correctly charged upon revision | 2,817,074 |

*Recapitulation.*

APARTMENT AND RAILWAY POST-OFFICE SPACE COMBINED.

| Classification. | Charged by company to mail space. | Tabulated by department as "dead space." | As reviewed and revised by department. | Difference erroneously charged to "dead space" should have been charged as "deadhead" space. |
|---|---|---|---|---|
| Apartment | 6,248,262.05 | 6,248,262.05 | 5,968,936.65 | 279,325.40 |
| Railway post office | 3,544,382.00 | 3,544,382.00 | 2,817,074.00 | 727,308.00 |
| Total | 9,792,644.05 | 9,792,644.05 | 8,786,010.65 | 1,006,633.40 |

Adding to this revised total of 8,786,010.65 dead space car-foot miles 16,208.28 car-foot miles of dead space charged on routes not listed in the foregoing tabulation, the total dead space for the system is found to be 8,802,218.93 instead of 8,808,852.33 car-foot miles, as given in Document No. 105. Using the former figure and increasing the deadhead space and passenger space in accordance with the results shown hereinbefore, the comparison of car-foot miles in the several services with those given in Document No. 105 is as follows:

| Classification of space. | Car-foot miles as revised. | Per cent of car-foot miles as revised. | Car-foot miles in Document No. 105. | Per cent as shown in Document No. 105. |
|---|---|---|---|---|
| Mail | 46,097,323.63 | 8.98 | 46,097,323.63 | 8.98 |
| Deadhead | 2,367,739.40 | .46 | 1,361,106.00 | .27 |
| Total mail | 48,465,063.03 | 9.44 | 47,458,429.63 | 9.25 |
| Passenger | 422,764,786.91 | 82.26 | 422,358,346.91 | 82.25 |
| Dead space | 8,802,218.93 | 1.71 | 9,808,852.33 | 1.91 |
| Passenger and dead space | 431,567,004.84 | 83.97 | 432,167,209.24 | 84.16 |
| Express | 33,833,154.93 | 6.59 | 33,833,154.93 | 6.59 |

TUESDAY, MARCH 24, 1912.

COMMITTEE ON SECOND-CLASS MAIL MATTER, ETC.,
*Washington, D. C.*

The Committee met, pursuant to adjournment, at 2 o'clock p. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Senator John W. Weeks, and Representatives James T. Lloyd and William E. Tuttle, jr.

The following gentlemen were present and sworn by the chairman:

Representing the railway-mail-pay committee:

Mr. W. A. Worthington, acting chairman, and assistant director maintenance and operation, Southern Pacific Co.

Mr. H. L. Fairfield, supervisor of mail traffic, Illinois Central and Central of Georgia Railroads.

Mr. W. W. Safford, general mail and express agent, Seaboard Air Line Railway.

Mr. A. H. Rowan, assistant to vice president, New York Central Railroad.

Mr. H. E. Mack, manager mail traffic, Missouri Pacific Railway.

Mr. C. A. Searle, manager mail traffic, Rock Island Lines.

Mr. S. C. Scott, vice president's assistant, Pennsylvania Railroad.

Mr. J. P. Lindsay, manager mail traffic, Santa Fe Lines.

Mr. V. J. Bradley, general supervisor mail traffic, Pennsylvania Railroad.

Mr. R. H. Snead, manager of express traffic, Chesapeake & Ohio Railway.

Mr. F. E. Campbell, traveling agent transportation department, Norfolk & Western Railway.

Mr. J. P. Connolly, supervisor of mail traffic, Central Railroad of New Jersey.

Col. W. B. Thompson, counsel.

Ex-Senator Charles J. Faulkner, counsel.

Mr. John N. Drake, secretary-treasurer Short Line Railroad Association.

Mr. B. C. Prince, assistant to vice president, Seaboard Air Line.

Mr. James Peabody, statistician, Atchison, Topeka & Santa Fe Railway.

Mr. W. S. Baskerville, general agent mail traffic, Great Northern Railroad.

Mr. J. C. McCahan, jr., supervisor of mail traffic, Baltimore & Ohio Railroad.

Representing Post Office Department:

Hon. Joseph Stewart, Second Assistant Postmaster General.

Mr. C. H. McBride, Superintendent Division Railway Adjustments.

Mr. George E. Bandel, Assistant Superintendent Division of Railway Adjustments.

Mr. A. N. Prentiss, clerk.

Mr. M. O. Lorenz, statistician, Interstate Commerce Commission.

Mr. WORTHINGTON. Mr. Chairman, is my understanding correct, that we are meeting here to hear something further from Mr. Stewart?

The CHAIRMAN. Yes.

Mr. WORTHINGTON. Is it the desire that we should ask any questions during the reading of the paper or should we wait until Mr. Stewart finishes?

The CHAIRMAN. Unless General Stewart asks not to be interrupted until he finishes his statement, in which event you will have full opportunity to discuss his statement after he has finished. If there is no objection on the part of the witness we would be glad to have a running debate and every gentleman present who has been sworn may ask questions during the submission of the testimony without reference to the committee itself, for the purpose of getting a full view of the subject.

Mr. WORTHINGTON. From the mass of material that Mr. Stewart has in front of him I would like to ask if anything new is presented, something technical which we could not possibly digest at once, whether we would be given another opportunity or ample time to answer it?

The CHAIRMAN. That will depend on the development from what is submitted and the position you gentlemen take in reference to requiring or desiring reasonable time in which to post yourselves on the new matter. However, the desire of the committee is to expedite the proceedings now and close the hearings at the earliest possible date in order that we may go into executive session and commence our constructive work and determination.

Mr. STEWART. Mr. Chairman, I ask the same privilege that was accorded the railroads' committee, and that is the privilege of reading my paper before discussing it.

The CHAIRMAN. You prefer not to be interrupted until the whole paper is put into the record?

Mr. STEWART. I would rather not enter into a discussion of the matter until I have completed the reading of the paper.

(Mr. Stewart proceeded to read his paper, and the following discussion occurred immediately after the reading of paragraph 5, on page 1259 of the printed report:)

Senator WEEKS. May I suggest that the costs of railroading have materially increased, and there are various increases in the way of employees and other things that might account for a large part of that deficit?

Mr. STEWART. I do not think that would vitiate these results. These results are based on the known statistics for 1910, and the application of the railroad committee's per cent of 34.42, as the share of the passenger service. The result obtained by an apportionment on this basis would be true of any given set of figures, whatever might be the changes in the relation between revenue and expense.

Senator WEEKS. What I was referring to particularly was the necessity for an increase in rates at this time which might not have existed in 1910.

Mr. STEWART. That is very true.

Senator WEEKS. For instance, in the case of the Boston & Maine Railroad there has been a sufficient increase in pay since 1910 to equal 9 per cent on the common stock of that railroad, without any increase in rates at all. I do not know but what the relative figures would be the same, but I do not think it necessarily means that the request for the increase in rates at this time is absurd or necessary, because the figures in 1910 might show that it was.

Mr. WORTHINGTON. Might I ask that a correction be made in the statement as to passenger traffic that it is claimed by the railroad committee to have been operated at a loss of $111,000,000? When did the railroads' committee ever claim that?

Mr. STEWART. If you object to that form of expression, I will be very glad to change it. The claim consists in the application of your percentage of 34.42 as the percentage for dividing the operating expenses.

Mr. WORTHINGTON. That result rests very largely on your apportionment of charges against income on the railway mail pay committee basis, which, as I understand, you made yourself. The committee never made any such apportionment as that, and the railroads never returned any such figures as that to you.

Mr. STEWART. These figures are all based on the application of your per cent of 34.42.

Mr. WORTHINGTON. But the figures which were sent in by the railroads as to the fixed expenses include only interest charges, and they have never presented any figures of that kind.

Mr. STEWART. As I said to you, the statement there is a necessary result of the application of your per cent of 34.42. I shall be glad to change the text in order to make that entirely clear.

Mr. WORTHINGTON. In other words, you are simply taking the fixed expenses or other charges against income and apportioning them on the same basis by which you have apportioned operating expenses and taxes. Is not that it?

Mr. STEWART. Yes, sir.

Mr. WORTHINGTON. I wanted that to be made clear.

(Mr. Stewart continued the reading of his paper, when the following discussion occurred, immediately after the reading of paragraph marked (1) on page 1261 of the printed record.)

Senator WEEKS. Is that due to the fact that you have allowed them car-foot miles only on that amount of space which has actually been used and they have taken the amount of space that was available for use?

Mr. STEWART. No; that is due to the fact that this element of nonmail car-foot miles, which can not be in dispute at all as to its use, was either not used by the railway mail pay committee, they not having the data or was erroneously charged to the mails in cases where they did have the data. It is all nonmail car-foot miles on trains or routes that did not carry mail at all; the space is not in dispute as to its use; it was not devoted to the mails.

Senator WEEKS. It does not seem to me it would be a difficult thing on a comparatively small road to determine exactly the relative space used for passenger, mail, and express service.

Mr. STEWART. These roads did not carry mail. That is the difficulty here.

Senator WEEKS. Did not carry mail at all?

Mr. STEWART. No.

(Mr. Stewart continued the reading of his paper, and the following occurred during the reading of Appendix A:)

Dr. LORENZ. Haven't you some figures showing the total of each kind of dead space for the Missouri Pacific?

Mr. STEWART. Yes. There was one case where we found the department made a mistake in not crediting the company with the return of a 60-foot car.

Mr. MACK. There are several cases of that kind on the Missouri Pacific and Iron Mountain.

Mr. STEWART. There is just one case of that kind in the R. P. O. car service. I have the figures here.

Mr. MACK. It will not take long to settle that question if you desire to do it.

Mr. STEWART. The totals referred to by Dr. Lorenz are found in the recapitulation.

The CHAIRMAN. You allow 889,000 car-foot miles less than what the Missouri Pacific claimed. Is that it?

Mr. MCBRIDE. The revision resulted in a net reduction of that number of car-foot miles of "dead space," and its transfer to "deadhead space."

Mr. STEWART. It makes a change of about 0.16 per cent in the total car-foot miles of the system charged to mail service.

Mr. MACK. And the dead space in dispute represents about 20 per cent, so if we would take 1.79 per cent off of the 20 per cent, what does that leave?

Mr. STEWART. We did not calculate that, because your hypothesis is absolutely wrong, and we have so shown in this detailed statement.

Mr. MACK. There may be some errors in your statement which you say would approximate 889,000 feet. This 889,000 feet you concede should now be credited to the company to correct the department's error.

Mr. MCBRIDE. There is a table at the end of the statement showing the car-foot miles for each service as revised, with a comparison of the percentages with those shown in Document 105.

The CHAIRMAN. This 889,000 car-foot miles you did not allow in Document 105, but subsequently you did allow it?

Mr. MCBRIDE. We charged them to "dead space" in Document 105, but the revision changed them to "deadhead space" and eventually to mail service.

The CHAIRMAN. Debited it to the mail service and credited it to the Missouri Pacific on that computation?

Mr. MCBRIDE. Yes.

Dr. LORENZ. You did not attempt to classify the dead space which you now charge against the Missouri Pacific space so as to show the different types of dead space?

Mr. STEWART. Yes. I think that is shown in here.

Mr. MCBRIDE. You mean an analysis of the return movement, etc.?

Dr. LORENZ. Yes; we are unable to judge of the significance of this statement unless we know how much of each of these specific illustrations you mentioned are in the total, how much of each kind of dead space you would charge against the department, and how much was erroneously reported by the railroad companies.

Mr. STEWART. That is clearly shown by the detailed statement of the character of the car movements. This statement here shows the specific amount that was transferred and the reasons therefor.

Dr. LORENZ. It is perfectly clear that if the company charged the department with car-foot miles run on Sunday when there was no mail service on Sunday, it is a kind of dead space which you rightly charged as dead space; but let us take the case of return empty storage movement where the department was responsible for the movement of the car; that is a different kind of dead space. I should think that this statement in order to be most helpful, ought to set out

the relative totals of each one of those kinds of dead space to see the maximum error under each theory.

Mr. STEWART. That information is all contained in the detailed statement in Appendix A. In each individual case the facts are noted under the route number, which data are summarized in the tabulated statements. Where changes were found proper they are indicated in the statement. The information asked for by Dr. Lorenz could be tabulated and submitted as an additional exhibit.

The CHAIRMAN. With regard to Exhibit A, the number of car-foot miles that the Missouri Pacific claimed was due them, the number of car-foot miles that you allowed them in Document 105, and the number of car-foot miles that you allowed them on the road, as I understand, you allowed them nearly 900,000 more car-foot miles in your revised statement than in Document 105?

Mr. STEWART. I have already read that into the record.

The CHAIRMAN. I would like to have it read again.

Mr. MCBRIDE. The amount you name represents the car-foot miles transferred from "dead space" to "deadhead space" by our re-examination.

Mr. STEWART. This covers the cases which are in dispute here.

The CHAIRMAN. Taking the cases in dispute, are the number of car-foot miles the Missouri Pacific claims, the number of car-foot miles you allowed them in Document 105 and the number of car-foot miles you allowed them in your revision of Document 105?

Mr. STEWART. The total of the charge by the company to the mail service of these items in dispute was 9,792,644.4 car-foot miles.

The CHAIRMAN. That is, the Missouri Pacific claimed credit for that number of car-foot miles?

Mr. MCBRIDE. That is the original charge by the department for dead space which the company reported as mail space.

The CHAIRMAN. What I want to get at is this: The number of car-foot miles the Missouri Pacific claimed they were entitled to pay for, the number of car-foot miles that you allowed them credit for in Document 105 and then the number that you allowed them in your revision of Document 105?

Mr. STEWART. That would necessitate going to Document 105 and compiling those. These are just the items in dispute and it does not cover the rest of the service.

Mr. BRADLEY. Document 105 would credit to the Missouri Pacific road, including dead space, about 57,000,000 car-foot miles.

Senator WEEKS. This would give them 1.7 per cent more than that.

Mr. BRADLEY. I take it that the correction would amount to about 900,000 as applying to a total of about 57,000,000.

Dr. LORENZ. We can read the figures the Senator has asked for by joining these two statements together.

The CHAIRMAN. I would like to get it.

Dr. LORENZ. The total car-foot miles claimed by the Missouri Pacific was 57,000,000, of which the department rejected 9,800,000.

The CHAIRMAN. That is in Document 105?

Dr. LORENZ. Yes, sir.

The CHAIRMAN. And afterwards, in your revision of Document 105, you added 900,000 car-foot miles. Is that right?

Mr. STEWART. Yes, sir; 889,000.

Mr. MCBRIDE. Transferred it from dead space to deadhead space?

The CHAIRMAN. But you credited it to the Missouri Pacific?

Mr. MCBRIDE. Charged it to the mail service on the Missouri Pacific. The result increased the per cent of car-foot miles made in mail service on the system from 9.25 to 9.40 per cent or 0.16 of 1 per cent.

Mr. MACK. The only figures I have here are from St. Louis to Kansas City and from Kansas City to Texarkana, and I want to point out that between St. Louis and Kansas City the report we made showed 10,068,079 car-foot miles, the department disallowed 2,118,526 car-foot miles. That refers to space that was unquestionably in use, or return equipment, amounting to 130 car-foot miles a day, and for the year 1,133,640 car miles. I do not think there is a possible question about a foot of it because it refers to the return movement, the maximum movement, and the return of the cars that were used outbound. So, with respect to that one case, the difference is eliminated instantly, and there are other cases here. I will analyze them.

Mr. LLOYD. Mr. Chairman, I do not know how you feel about it, but I would rather have Mr. Mack's answer by itself. I do not want to get his answer mixed up with this statement.

The CHAIRMAN. He is going to file an answer.

Mr. LLOYD. We want to find out what Mr. Stewart has to say about this thing, and then we will come to Mr. Mack's statement.

Mr. MACK. This statement of Gen. Stewart's ought not be used in detail without an explanation from the company, showing how the department changed our reports.

Mr. LLOYD. My explanation is this: Since they singled out the Missouri Pacific and made a correction of the computations, showing a different statement from what they made in Document 105, I think it is only fair to Mr. Mack, representing his road, that he should have an opportunity to make a detailed statement in reply.

The CHAIRMAN. I think the opportunity will be given him.

Mr. LLOYD. Speaking for myself only, I would prefer, if Mr. Mack is going to make a statement at all, that he should make a statement having all parts of it together and not have part of it mixed up with Mr. Stewart's statement and part in another place.

(Mr. Stewart continued the reading of his paper, and the following discussion occurred just before the reading of the table on page 1272 of the printed record.)

The CHAIRMAN. These rates are all based on the recent rates put into operation by the Interstate Commerce Commission for the express companies?

Mr. STEWART. Yes.

Mr. WORTHINGTON. Is it not a fact that to obtain these express rates you quote that it is necessary to make shipments of not less than 100 pounds? In other words, these relate always to heavy shipments?

Mr. STEWART. The first table relates to 100 pounds. I have not read the second sheet.

Mr. WORTHINGTON. You haven't any comparison at all, because the regulations do not permit the shipments of mail or parcel post, for example, in any such lots as that.

Mr. STEWART. You have not waited until I have finished my statement.

Senator WEEKS. In almost all those cases I understand the mail rate is materially higher than the express rate.

Mr. STEWART. Yes, sir.

Senator WEEKS. Now, if all this express business was turned over to the mail, how are the people of the country going to benefit by its being done if they have to pay that materially higher rate of transportation?

Mr. STEWART. Well, I am not presenting this as an argument in favor of taking over the express companies, but merely as a comparison between express and mail rates.

Mr. LLOYD. Mr. Chairman, as I understand the statements, the charge to the man who sends the express is greater by express than it is by mail, but the railroad company only receives half of that amount for its transportation.

Mr. STEWART. Yes, sir; that is the fact.

Mr. BRADLEY. Might I ask, Mr. Chairman, what principle Gen. Stewart deduces from this tabulated statement, if any.

Mr. STEWART. I have not finished my statement as yet, Mr. Bradley, and if my conclusion is not clear, when I finish I shall be glad to answer your question.

(Mr. Stewart continued the reading of his paper, when the following discussion occurred, just before the reading of the table "Comparison of express and mail rates per 40 pounds," on page 1275 of the printed record.)

Mr. STEWART. This is the table of like statistics showing comparative rates between same points as in the first table, and you will find in almost every instance that the excess of the mail rate over 50 per cent of the express rate is considerable.

Dr. LORENZ. May I ask how the figures were selected—whether they were taken at random?

Mr. STEWART. The table was originally prepared to show the rates for shipments between points where the department shipped empty equipment by mail during the holiday season, under the provision of law which allows the Postmaster General, during that season, to utilize the mail trains instead of the freight trains for expedition. It was afterwards supplemented by the selection of certain other points to make it a little more representative.

Dr. LORENZ. Was there any attempt to make it representative with respect to long and short hauls? These are mostly long hauls?

Mr. STEWART. The additions to the table, I think, attempted to equalize that. There are many short hauls, but not many below 100 miles. There are some over 100 miles, and a few below 100 miles.

The CHAIRMAN. Would you consider those tables as typical of the whole service, express and mail?

Mr. STEWART. We thought so.

Mr. WORTHINGTON. Is it not true that the 40 pounds in this case represent a shipment by express of 40 pounds and not under, and the shipment of the mail represents all shipments of mail, including the packages of 1, 2, and 3 pounds, or whatever the weight is? It is not a fair comparison?

Mr. STEWART. It is a fair comparison, because we would not ship mail on those routes in 1, 2, 5, or 10 pound packages. Mail would go over these routes always in greater weight than 40 pounds and 100

pounds. We never have mail in a smaller quantity than is represented in these tables.

Mr. WORTHINGTON. You would not, perhaps, but the shipper by parcel post would, and he would also ship by express in the same way. In other words, if you take all the shipments handled by the express companies, you should surely include all their shipments, their light as well as their heavy shipments.

Mr. STEWART. I have taken 40 pounds as the average weight of the parcels in order to meet the suggestion that you have made.

Mr. WORTHINGTON. The express rates are much higher on the lighter packages.

(Mr. Stewart thereupon continued the reading of his paper and the following discussion occurred immediately after the reading of the paragraph following the table on page 1277 of the printed record.)

Senator WEEKS. Did you figure the total percentages?

Mr. STEWART. I hardly thought that the percentages obtained from the footings of these columns would be fair per cents.

The CHAIRMAN. Why, if that is a typical table?

Mr. STEWART. That can be readily done. We have the figures, but I did not feel like using them.

The CHAIRMAN. What I wanted was the reason why, if that is a typical table of those services. I want your reasons why the compilations would not be fair if the tables themselves are fair.

Mr. STEWART. That is a question that I have not given very thorough consideration to and I was not sure that the per cent obtained that way would be a fairly representative one, so I did not pursue it. I can go into it.

Senator WEEKS. From that table it looks to be 15 or 20 per cent higher for the mail than the express?

Mr. STEWART. There is no doubt about that, but I show that in the subsequent computations I am going to present.

Senator WEEKS. I am wondering what would happen if the express companies paid that additional compensation to the railroads when they show profits, of the last year, to the express companies, of about $4,000,000.

Mr. STEWART. I will leave that to the railroad companies to answer.

The CHAIRMAN. Before we leave that phase of it I want to know the trend of your mind as to why the percentages would not be fair if the tables are fair and illustrative of the two services.

Mr. STEWART. That is just the point. I am not prepared to say at this time. I have not given that enough consideration to say that the percentage arrived at in that way would be entirely fair.

The CHAIRMAN. I may have misunderstood you; but I understood you to say you did not present the percentages because you did not think that was fair.

Mr. STEWART. I was not sure that it was representative.

(Mr. Stewart continued the reading of his paper, and after finishing the reading the following occurred:)

The CHAIRMAN. Mr. Worthington, have you any questions to ask?

Mr. WORTHINGTON. Mr. Chairman, I would like to make a few general remarks, but it seems to me, inasmuch as General Stewart has submitted a large amount of new evidence, that it is only fair that the railway mail pay committee should be allowed time and opportunity to prepare a reply, and that that reply should not be

submitted as a written brief, but it should be read to your committee in the same way that General Stewart's paper has been read, because it loses very much of its effect unless read.

The CHAIRMAN. You mean it loses its effect if there are interruptions?

Mr. WORTHINGTON. No. It seems to me we should have another hearing and it should be read to yourselves then.

The CHAIRMAN. For discussion?

Mr. WORTHINGTON. For discussion; yes.

The CHAIRMAN. There is much force in that, undoubtedly.

Mr. WORTHINGTON. You must realize it would be very difficult to analyze offhand the various statistics and arguments that are contained in Mr. Stewart's paper.

The CHAIRMAN. I think the committee would like to get all possible light, and as opportunity presents itself, if there are any points while General Stewart is here, which you desire to ask him or discuss with him or his assistants in reference to the paper he has submitted, I think it would be well to utilize this time.

Mr. LLOYD. Mr. Stewart's statement presents only two things that are new, as I understand it, and we want to get to the end of the hearings some time. There are only two things, one, the specific statement with reference to the Missouri Pacific Railroad and the other the comparison that he makes between the mail and express. Those two things, as I remember it, are the only things that can be considered new in his statement and the only things which the railroad companies now should be permitted to answer.

The CHAIRMAN. Am I to understand, it is your idea or desire to confine the railroad companies in their reply?

Mr. LLOYD. Yes; to those two things. Mr. Mack should make his reply for the Missouri Pacific, but it looks to me as though there is nothing we should have from the general committee except reference to the comparison between mail and express.

The CHAIRMAN. Would it be your idea to stop them if any new viewpoint would occur to them, if it would not delay their report at all?

Mr. LLOYD. Not at all. We have shown a disposition to want all the light we can get, but we have to limit the scope sometime; and if we do not, we will never come to the end.

Mr. MACK. With regard to the Missouri Pacific statement, I would like to ask General Stewart if he thinks that is representative of the reports that were received from all roads?

Mr. STEWART. I should say so.

Mr. MACK. I recall that we were complimented when the reports came in as having rather unusually good reports. If that statement is representative, all right. If it is not, it is not of any special value except as to the Missouri Pacific figures.

Mr. STEWART. I should think it is representative.

The CHAIRMAN. Am I to understand that, so far as the department is concerned, the reply of the Missouri Pacific would be indicative of all the roads and, so far as the department is concerned, they would be willing to act in accordance with the demonstration made?

Mr. STEWART. I did not understand there was any proposition of that kind.

The CHAIRMAN. He asked if this was demonstrative and illustrative, or typical of all the lines.

Mr. STEWART. I understood his question to go to this point, as to whether the Missouri Pacific statistics were fairly representative of the statistics that were submitted to us?

The CHAIRMAN. The Missouri Pacific statistics under discussion are peculiarly an apportionment of dead space?

Mr. STEWART. That was the only question we were discussing.

Mr. MACK. That was the point I raised, whether they were characteristic of all reports that were received by the department as to space cut out by the department and classed as "dead space."

The CHAIRMAN. And whatever conclusions we might come to with reference to the Missouri Pacific, you think would be illustrative of all the mail service on that particular phase?

Mr. STEWART. I think so. At any rate, representative of the reports of those companies who prepared the information in accordance with the instructions of the railway mail pay committee of the railroads.

Mr. WORTHINGTON. Is it not a fact that under your proposed bill in volume 8 you proposed to pay for a good deal more space than you have charged to the railroads in your computation in volume No. 7, in which you have estimated their expenses for mail service? If you had based the expense estimates in volume No. 7 on the space used in volume No. 8, the amounts chargeable to the mail service would be considerably more than shown? It seems only fair if we are making an estimate of railroad expenses for the mail, we should put in everything which properly allocates to that service.

Mr. STEWART. I do not think the two things are comparable, for the reason that if Congress provides for this new system the department's administration of it might be different than the administration of the service under the law in effect in 1909. A necessity which does not now exist would arise at once for a very close scrutiny of the use of space, for instance, in the apartment-car and storage-car service, so that it would not be fair and it would not be particularly illustrative of anything before us now to make an application of the rules laid down under the proposed law to the conditions existing in 1909.

Mr. WORTHINGTON. I would like to read a little memorandum on that special subject which I have prepared.

MEMORANDUM ON RAILWAY-MAIL PAY.

Volume No. 7 submitted by Post Office Department contains tables on pages 994 and 995 reaching the following conclusions, based on apportionment of space and expenses shown in House Document No. 105:

| | |
|---|---|
| Total expenses chargeable to mail service | $47,685,685 |
| Total revenue received by the railroads for year 1910 | 49,302,217 |
| Excess over apportioned cost | 1,616,532 |

This would mean a ratio of expenses to revenue of 96.72 per cent.

Table 7 of Document 105, which is the basis for the Post Office Department's results, shows for November, 1909, a revenue from mail service of $3,607,773, and 870,567,702 car-foot miles for mail service, which is an average of 4,144 mills per car-foot mile. This is equivalent to 24.86 cents of revenue for a 60-foot mail car. Applying the ratio of expenses to revenue of 96.72 per cent shown by the Post Office Department figures, we find it necessary to obtain 96.72 per cent of 24.86 cents, or 24.04 cents for 60 foot miles to equal the railroad expenses chargeable to the mails shown by the Post Office

Department statement. Yet the Post Office Department in volume No. 8 proposes the following pay for 60 car-foot miles:

| | Cents. |
|---|---|
| For full R. P. O. service | 20 |
| For apartment-car service: | |
| Wooden cars | 18 |
| Steel cars | 19 |
| For storage-car service | 18 |

The inadequacy of these figures is proven by the department's own calculations.

SECOND PROOF.

Volume No. 7, brief of Post Office Department, shows on pages 995 and 996, based on conclusions in House Document 105:

| | |
|---|---|
| Operating expenses and taxes chargeable to mails (based on Table 7, Doc. 105) | $32,193,563 |
| Estimate of operating expenses and taxes for omitted mileage | 3,791,866 |
| Total operating expenses and taxes | 35,985,430 |
| Other charges against income apportioned to mails | 11,700,255 |
| Total expenses chargeable to mails | 47,685,685 |

Ratio of other charges against income to operating expenses and taxes, 32.51 per cent.

Table 7 in Document 105 shows for November, 1909, operating expenses and taxes chargeable to the mails as $2,682,798 for 870,567,702 car-foot miles, or 3.082 mills per car-foot mile. This is equivalent to 18.49 cents per 60 car-foot miles. Now, if the other charges against income are estimated by the Post Office Department to be 32.51 per cent, as much as the operating expenses and taxes, we should add 32.51 per cent of 18.49 cents or 6.01 cents per 60 car-foot miles for the other charges against income. Adding this sum to 18.49 cents would produce 24.50 cents per 60 car-foot miles required to cover the mail expenses as they are estimated by the Post Office Department on pages 995 and 996 of volume 7. Yet the Post Office Department in volume No. 8 proposes, as stated, to pay the railroads as follows for 60 car-foot miles:

| | Cents. |
|---|---|
| For full R. P. O. service | 20 |
| For apartment-car service: | |
| Wooden cars | 18 |
| Steel cars | 19 |
| For storage-car service | 18 |

In other words, taking your own figures in volume 7 and your own calculations it is shown that it costs the railroads 24½ cents for operating expenses and fixed charges. That is due to the fact that you eliminate certain space in your calculations in No. 7 which you include in No. 8.

Mr. STEWART. No. In the first place you have left out of your calculations all consideration whatever of the loading and the terminal charges which would raise your rate quite considerably.

Mr. WORTHINGTON. Very slightly.

Mr. STEWART. It would make it about 21 cents.

Mr. WORTHINGTON. Admitting that it is 21 cents, it would still be much below your own calculation of passenger-train operating expenses and other charges against income for 60 car-foot miles.

Mr. STEWART. If, under the bill set forth in volume 8, we were proposing to pay you at the same rates that you are now receiving, it is to be admitted, I think, that the average rate for the car mile would be higher than we have provided for in the suggested bill.

Mr. WORTHINGTON. That is, 20, 18, and 19.

Mr. STEWART. It is practically 21 cents on the average. The point which Mr. Worthington is bringing out is that on the statistics in Document 105 it is shown that the railroads are receiving a larger rate for a prorated 60-foot car mile than we are proposing to pay on the average in the suggested bill. We admit that.

Mr. WORTHINGTON. That is the real difference between the estimates of the railroads and the department; it rests practically on the two percentages, firstly, on the space percentage which we have gone over time and again and which General Stewart does not see from his position, and the railroads do not think he has been fair to them. In making any estimate of railway expenses it is necessary to include dead space which we handle in connection with the mails, and in the same way dead space for passenger and express service is included. The second difference is due to the apportionment of expenses between passenger and freight service. Mr. Stewart states that the Interstate Commerce Commission abandoned the apportionment used by the railroads, but it did actually use that apportionment for a number of years and abandoned it because they expressed themselves at that time, or rather the statisticians did, that he did not know of any sufficiently accurate method.

They never, however, used the apportionment fixed upon by the Post Office Department which, as I understand it, apportions less to the mail service than any known apportionment. It is a fact that of the railway operating expenses at least 50 per cent have to be apportioned on some arbitrary basis to passenger or freight train service and a large part of those expenses are comprised under the headings of maintenance of way and structures; that is, the upkeep of the track and structures, repairs of buildings, etc. It is a well-known fact to all railway operating officers that it is absolutely necessary to maintain much higher standards for passenger-train service than it is for freight-train service. Most of our double tracks are attributable to the passenger-train service, as well as the large expensive passenger terminals. A much lower standard would be required for freight traffic only, and we consider it perfectly fair to apportion that class of expenses on a train-mile basis. The basis of the department was to take those joint expenses and assume that they should be apportioned in the same way as the other operating expenses. The other operating expenses happen to be much greater per train mile for freight trains than for passenger-train service, due to the fact that freight trains consume more fuel because they are longer, the wages paid are higher, because the speed is slower. This is the cause of the difference between the department and the railroads on the apportionment of the expenses. We believe our basis is certainly entitled to as much consideration as that used by the department.

Mr. LLOYD. As I understand you, you figure the difference to be the difference between about 21 cents and 24 cents on the car-foot mile?

Mr. WORTHINGTON. As to the question of the express rates, I think anyone can go through the express tariffs and find a great many cases where the express rates may be even lower than freight rates, for example, but a railroad company does not receive 50 per cent of each individual express rate. A railroad company makes a contract with the express company, by which it receives 50 per cent of its entire express revenue for its system, and those rates are fixed

by the express company the same as railroad freight rates are fixed, they are fixed to develop the business, and some must necessarily be lower than others.

The CHAIRMAN. You would not want to develop a losing business?

Mr. WORTHINGTON. It is very easy to pick out the lowest express rates and compare them with——

Mr. STEWART. We have not done that. Do you not think the rates between New York and Chicago are fairly representative of the business?

Mr. BRADLEY. That leads up to the very question I wanted to ask General Stewart sometime ago, and that is as to the principle upon which that tabulation was made. I think all of the members of the committee will remember that there was a statement printed in volume 5, at page 783, showing an analysis by Dr. Lorenz of a statement made by Prof. Adams many years ago, and repeated more recently by Senator Ashurst. He illustrated the difference between express and mail rates as between New York and Buffalo and New York and Chicago, the illustration being based upon a rate for a 100-pound package, and it was shown in the analysis made, especially in the analysis made by Dr. Lorenz, that that was not a representative case. Therefore, except that there may possibly be something new in the text of General Stewart's presentation on that subject, it would seem as though this array of instances is simply multiplying that old example by the number of times the case is presented.

Dr. LORENZ. Did I show that was not a representative case? I thought I corrected it or supplemented it by taking a 30-pound shipment instead of a 100-pound shipment and showing that in that case the express pay was brought more nearly up to the mail pay; in other words, that they were similar but still the express pay was slightly below the mail pay.

Mr. BRADLEY. Of course, in regard to the general subject as to whether the railways as a whole get a better return out of express than they do out of the mail, there are a number of statements presented throughout the hearings that we can refer to in our deliberate statement that, I think, demonstrate that as a rule the revenue received by the railroad companies from the express companies is higher than the revenue from the mail, and even when that statement is made it has to be supplemented by the fact that there are many services which the express companies render for themselves in connection with the transportation of express traffic.

Mr. WORTHINGTON. I would add to that, further, that if it was necessary for General Stewart to reach that conclusion in the way he has, he could take his car-foot mileage, which he gives in Document No. 105, for express and divide that into the total express revenue, and he would find by doing that that the average receipts for a 60-foot car would be 23 cents.

The CHAIRMAN. On express?

Mr. WORTHINGTON. On express.

Mr. PRENTISS. It is 21 cents. You have made a mistake in your calculation. We have been able to obtain the express revenue from the Interstate Commerce Commission's statistics for 1910.

Mr. WORTHINGTON. I would want to question that, because the railway mail pay committee itself reached almost identically the same

car-foot miles that was reached in Document No. 105, and divide that into revenue for the same roads and find a return of 23 cents.

Mr. BRADLEY. The mail was 19.36 and the express 23.13.

Mr. WORTHINGTON. Counting all of the space for mail which the railways claim was allotted to the mail.

Dr. LORENZ. I would like to ask whether this revenue in which you divide the car-foot miles was the actual cash payment by the express companies, or did it include allowance for services?

Mr. WORTHINGTON. That was actual cash payment.

Dr. LORENZ. It evidently makes some difference as to how you make your calculation, because I think in one statement I submitted to the committee I estimated the revenue received by the express companies was 21 cents. That was obtained by taking the portion of express car-foot miles, applying that to the total passenger train car-foot miles to get the express car miles and dividing that into the actual revenue for 1910 obtained by the railroads from the express, and that gives the result of 21 cents.

Mr. WORTHINGTON. The allowance you speak of would simply increase the railway companies' compensation from express. For instance, with the Southern Pacific we have a 40 per cent contract, having received a cash and stock bonus in lieu of a 55 per cent contract, yet on our line some years ago we asked the express company to compute for us the ton-mileage of express in order to determine what we received, and we found we were receiving an average rate of about 5 cents per ton-mile and we were carrying an average of nearly 5 tons to the car, and that was on a 40 per cent basis.

Dr. LORENZ. Did not your statement submitted to the committee show that you were receiving less per car-mile on the express than on the mail?

Mr. WORTHINGTON. It might have because of the 40 per cent contract.

Mr. BRADLEY. I would like to call attention to this phase of the matter, that in making a comparison one has got to be very, very careful, because the revenue received by the railroad companies is a percentage of the gross receipts of the express companies. If you are comparing that, for instance, on a ton-mile basis, you are comparing it with an average for the whole country, as ascertained by the Post Office Department, so the question of the average haul would be of supreme importance. I have an illustration here, for instance, that on a 1-pound package, the receipts of the railway company from the express company for a 50-mile haul would be at the rate of $4.20 a ton-mile, while the receipts from the same package for 1,000 miles would be 24 cents a ton-mile. When we pass to the 20-pound package, the receipt of the railroad company on a 50-mile haul would be at the rate of 15½ cents per ton-mile, and for a thousand-mile haul it would get down as low as 2 cents a ton-mile. So you see how very important it is to establish the average length of haul and to contemplate the total expanse of the business, rather than to pick out particular examples that are not really representative, although the number quoted makes them appear to be representative.

Mr. PRENTISS. Mr. Chairman, I think I can show that the department did the very thing which Mr. Bradley has just suggested. We wanted to get the revenue from express comparable with the car-foot

miles from express and make a comparison with the revenue from mail and the car-foot miles of the mail service as given in Table 3, House Document 105. We obtained like data for the express service, based on a per annum rate for the same period as for the mail service, so that we have comparable figures. I would like to read these rates showing average monthly express revenue. In 1910 it was $5,800,000. In 1909 it was $5,300,000. Table 3, in Document 105, which represents more car-foot miles than is represented by the calculation of the railroad companies, shows revenue of approximately $4,900,000 and the railroads (p. 71 of the hearings) for the same period show $5,075,000 for less mileage. To bring this revenue up to the same standard it would show about $6,000,000 revenue for the roads. There is a 25 per cent increase shown by the railroads' figures, which accounts for the difference of 21 cents and the 23 cents per car-mile.

Mr. WORTHINGTON. I do not think there is any question but what the railroads would be very willing to handle the mails on the express basis and receive 50 per cent of the tariff rates now charged by the express companies, and to perform the service under the same conditions with the same kind of equipment. As you know, the express cars are much lighter than mail cars. They are not weighted down with post-office fixtures, and there are a great many conditions required of one service that are not required in the other. When you speak of a heavier ton-mile for express, you speak of the heavy class of traffic. In the mails the parcels are a bulky class of traffic. For a fair comparison you should take the same class of traffic that you are handling through the parcel post and determine the revenue if shipped by express. I would like to say that I was shown by one of the express companies that the railway earnings on a day's business of parcels from 1 to 20 pounds in parcel post zone No. 2 would be about 34 cents a ton-mile, due to the fact that we receive 50 per cent of the rate, no matter what weight the package is. If shipped by mail in the parcel post we receive about 7 cents a ton-mile rate on that class of traffic. The figures in document No. 105 relate to November, 1909. The conditions have changed materially since that time, and I would like to file a small statement showing the railway earnings from mail and express for the five years 1909 to 1913, inclusive.

*Annual railway receipts.*

| Year ending June 30— | Mails. | Express. |
|---|---|---|
| 1909 | $49,869,375 | $64,032,127 |
| 1910 | 49,405,311 | 69,917,562 |
| 1911 | 50,583,123 | 73,936,018 |
| 1912 | 51,691,301 | 78,522,747 |
| 1913 | 51,959,388 | 83,872,497 |
| Increase 1913 over 1909.....per cent.. | 4 | 31 |

Authority: Page 47, 1913 Annual Report of Postmaster General; reports of Interstate Commerce Commission on operations of express companies.

Unfortunately the units of service are impossible to obtain, but I think it is an approximately fair conclusion that the services rendered have increased along parallel lines. It proves that the department has gradually taken over a part of our express business which

has paid the railroads fairly well, and in taking over that business they should expect to compensate the railroads for handling it.

Dr. LORENZ. That would not account for the five-year increase?

Mr. WORTHINGTON. The smaller increase in five years from 1913 to 1909 in the case of the mail is due to the restrictions as to rates, etc.

Dr. LORENZ. My opinion is that that may simply show that you were overpaid for carrying the mails in 1909 rather than that the pay has not adequately increased, so that this statement could not prove anything at all.

Mr. WORTHINGTON. It is interesting as showing that, compared with mail and express, the revenue from express has increased very largely and increased hardly at all from handling the mails.

Mr. SNEAD. In connection with the rate per ton-mile I would like to call attention to the fact that the contract between the railroads and the express companies also includes the shipment of money and valuables, which have a special rate and show in the statement General Stewart made as to the ton-mile for express that covers the weight feature only, and does not cover 50 per cent of transporation for money and valuables.

Mr. WORTHINGTON. I think the rate of 8 cents per ton-mile for express is not typical.

Mr. STEWART. It is higher than the figures given heretofore in the hearings by Mr. Bradley, and higher than the figures given by the Bureau of Railway Economics.

Mr. WORTHINGTON. However, dividing that rate into car-mile earnings, which happens to be 23 cents, according to our figures, it would produce an average load of express in a car of only 2½ tons, which is only the same load as we carry of mail. I do not think there is any question but what the express load in a car is double that of the load in the mail cars, due to the fact that we have no post-office fixtures to limit the weight we can carry in an express car.

Mr. STEWART. You carry heavy safes and package trunks and messenger safes. You have a large number of them in the service?

Mr. WORTHINGTON. Is it not your own opinion that the space occupied in a car by the postal fixtures is greater than the space occupied by the safes and impediments of the express service?

Mr. STEWART. I do not think so. It might be that the density is heavier.

Mr. BRADLEY. I have asked experienced transportation officers about that, as to what proportion of space might be occupied by the equipment of trunks and so on in the express business and the replies I got would indicate about 1 per cent of the total space. Of course, that is an opinion, but from experienced officers.

Mr. WORTHINGTON. I know that our own weight is 5 tons as determined by accurate statistics.

Dr. LORENZ. Is that the total loaded and empty car mileage weight?

Mr. WORTHINGTON. Both.

Mr. PRENTISS. I have some statistics on that point. There were reported to the Interstate Commerce Commission (statistics of express companies, 1909) 1,403 large stationary safes handled in the express cars, remaining in the cars all the time; there were 13,765

small safes used by the express messengers and 23,815 packing trunks. The weights of these various safes and trunks have been averaged; the large safes at 1,000 pounds, the small safes at 125 pounds, and the trunks at 50 pounds, the total weight of which is estimated as 6,000,000 pounds.

Mr. WORTHINGTON. How much per car-mile?

Mr. PRENTISS. That is not car-miles at all. This express equipment is carried in the cars every day. Compared with that 6,000,000 pounds, we have 776,000,000 pounds of express matter carried on the trains during one month.

Mr. WORTHINGTON. As against that I would like to place the dead weight of the mail car as against the express car, the difference being 10 to 20 tons to the car.

Mr. PRENTISS. The express equipment represents a daily weight that is in the cars all the time; approximately 6,000,000 pounds and 776,000,000 pounds represent the weight of express parcels for one month.

Mr. BASKERVILLE. It is not a question of weight. The safe is only of a small size, but the racks occupy the whole side of the car.

Mr. PEABODY. I think Mr. Stewart's assumption is that the railroads are satisfied with their receipts from the express companies. I think he has overlooked the fact that the rates which he has quoted are rates compelled by law. So far as that is concerned, under the decision, the railroads were not allowed to intervene and present their case, and, further, I doubt if there is a railroad company in the United States that would renew its contract to-day on the basis of the present contract. I will say so far as the Santa Fe is concerned we will not renew our contracts in 1916 at any such rate as 55 per cent.

Mr. STEWART. Our figures of 8 cents plus a ton-mile are based on the rates before they were revised by the Interstate Commerce Commission.

Mr. PEABODY. We would not renew on the 55 per cent basis, the old rate.

Mr. STEWART. In answering your question without regard to the fact that the comparison is made with rates before the reductions were made, I think it is a fair assumption that the railroads ought to carry the mails for the United States Government at no greater cost than that for which they enter into an agreement to carry express matter for the express companies, making proper allowance for the differences in the services.

The CHAIRMAN. Do you claim the services are alike?

Mr. STEWART. I have pointed out that there are differences in the service, and I have said that the railway mail pay committee has suggested some of those differences, many of which will disappear if we go on this new basis; but I have said further that they have not put any monetary value on those differences as yet. They can not tell the commission at the present time how much of this difference between thirty-nine million and fifty-one million, for instance, is represented by these differences.

The CHAIRMAN. Have you?

Mr. STEWART. I have not. I think the railroad people should do that.

The CHAIRMAN. From the presentation that you have made relative to the express charges, what conclusions have you come to in your own mind as to their application in the question we have under consideration, railway-mail pay?

Mr. STEWART. I think they have an application that is very direct. I think they prove without any question whatever that the rates that have been suggested by the department are not too low. I have serious doubt in my mind whether those rates are not too high, in view of the facts we have presented in regard to express revenues to the railroad companies.

Senator WEEKS. General Stewart, I wish you would have Mr. Prentiss sometime assume that the Government takes over all the express business and apply his mail rates to that and see how much the Government would be losing on the express business, simply for transportation.

Mr. STEWART. What kind of rates would we get for carrying it?

Mr. LLOYD. The same rates you get now from the parcel post. You have got the parcel-post limit at 50 pounds.

Mr. MACK. Mr. Chairman, there was a statement at the close of volume 9, page 1106. I submitted a memorandum showing the increased postal revenue and the railway mail pay revenue for a period of five years. I would like to have the privilege of having this memorandum quote the authority for the figures. I have also gone one year further and have developed another interesting comparison, as the report for 1913 is now available and I have taken a six-year period also.

Mr. STEWART. You know you can not rely on a report of one year to take statistics of that kind, but you must go to subsequent reports to get subsequent payments on account of previous fiscal years. Your first memorandum was deficient in this respect.

Mr. MACK. The first memorandum I had was for four years instead of five.

The further statement I would like to add is as follows:

Add to volume 9, page 1107:

NOTE.—The Postmaster General's Report is the authority for the statement made, as to comparison of postal revenue and railway mail pay for the five-year period, and seemingly ought not to be subject to question:

*Postal revenue.*

| | |
|---|---|
| Postal revenue for fiscal year ended June 30— | |
| 1912 | $246,744,015 |
| 1907 | 183,585,005 |
| Increase in postal revenue for five years | 63,159,010 |

(Postmaster General's Report, 1913, p. 46.)

*Railway mail pay.*

| | |
|---|---|
| Railway mail pay, including postal-car pay, fiscal year ended June 30— | |
| 1907 | $51,008,111 |
| 1912 | 50,703,323 |
| Decrease in railway mail pay, same period | 304,788 |

(Postmaster General's Report, 1913, p. 156.)

Since the original memorandum was made the results for another year to June 30, 1913, are available for a six years' comparison, as follows:

*Postal revenue.*

| | |
|---|---|
| Postal revenue for fiscal year ended June 30— | |
| 1913 | $266,619,525 |
| 1907 | 183,585,005 |
| Increase in postal revenue | 83,034,520 |

(Postmaster General's Report, 1913, p. 46.)

*Railway mail pay.*

| | |
|---|---|
| Railway mail pay, including postal-car pay, fiscal year ended June 30— | |
| 1913 | $51,466,030 |
| 1907 | 51,008,111 |
| Increase in railway mail pay, same period | 457,919 |

(Postmaster General's Report, 1913, p. 156.)

This latter comparison is astounding, when considered with postal conditions in 1897, only 16 years previous. In the year ended June 30, 1897, the entire postal revenue of the country was less than the increase alone for the past six years, the whole postal revenue for that year being $82,665,462 (Post Office Auditor's Report, 1913, p. 5), and the past six years' increase alone being $83,034,520, as stated; yet for the transportation of mail represented by the postal revenue in 1897 the railroads received pay amounting to $33,876,521 (Postmaster General's Report, 1913, p. 156), while the increase in mail pay to the railroad during the past six years amounted to only $457,919.

This seems most convincing evidence that the railroads have not received increasing pay with the tremendous increase in the volume of mail business transported for the Government, and, besides, not only was this great increase carried by them, but during that six years' period service was established on 21,381 miles of entirely new railroad service, and there was increased frequency and facilities represented by an increase of 84,001,924 annual miles of service. (Postmaster General's Report, 1913, p. 265.)

The CHAIRMAN. Gentlemen, General Stewart's statement submitted this afternoon and read has been sent to the printer, and we expect to have copies of it to-morrow morning, so that you will be able, if we are not disappointed by the printer, to have them here by 9 o'clock. I refer to the statement which was read, which was sent down without any discussion with reference to it, so that you will have that in a short time. We will now adjourn the hearing until Wednesday, April 1, 1914, at 10 o'clock a. m.

(Thereupon, at 5.40 o'clock p. m., the hearing adjourned, to be resumed Wednesday, April 1, 1914, at 10 o'clock a. m.)

## WEDNESDAY, APRIL 1, 1914.

COMMITTEE ON SECOND-CLASS MAIL MATTER,
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 o'clock a. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Senator John W. Weeks, and Representatives James T. Lloyd and William E. Tuttle, jr.

The following gentlemen were present and sworn by the chairman:

Mr. Ralph Peters, chairman railway mail pay committee, president Long Island Railroad Co.

Mr. W. A. Worthington, vice president and assistant director of maintenance and operation, Southern Pacific Railroad.

Mr. A. H. Rowan, assistant to vice president, New York Central lines.

Mr. H. E. Mack, manager mail traffic, Missouri Pacific Railway.

Mr. S. C. Scott, vice president's assistant, Pennsylvania Railroad.

Mr. V. J. Bradley, general supervisor mail traffic, Pennsylvania Railroad.

W. W. Safford, general mail and express agent, Seaboard Air Line Railway.

Mr. R. H. Snead, manager express traffic, Chesapeake & Ohio Railway.

Mr. F. E. Campbell, traveling agent transportation department, Norfolk & Western Railway.

Mr. J. P. Connolly, supervisor mail traffic, Central Railroad of New Jersey.

Col. W. B. Thompson, counsel.

Mr. John N. Drake, secretary-treasurer, Short Line Railroad Association.

Mr. James Peabody, statistician, Atchison, Topeka & Santa Fe Railroad.

Mr. W. S. Baskerville, general agent mail traffic, Great Northern Railroad.

Mr. J. C. McCahan, supervisor of mail traffic, Baltimore & Ohio Railroad.

Mr. H. M. Wade, agent mail traffic, Erie Railroad.

Representing Post Office Department:

Hon. Joseph Stewart, Second Assistant Postmaster General.

Mr. C. H. McBride, Superintendent Division of Railway Adjustments, Post Office Department.
Mr. A. N. Prentiss, clerk, Post Office Department.
Mr. Frank McFarland, Superintendent Railway Mail Service, St. Louis, Mo.
Mr. S. M. Gaines, Superintendent Railway Mail Service, Fort Worth, Tex.
Mr. M. H. Blackwell, Assistant Superintendent Railway Mail Service, Omaha, Nebr.

Dr. M. O. Lorenz, associate statistician, Interstate Commerce Commission.

The CHAIRMAN. This is a meeting for hearing the railroad representatives in reply to the department's statement submitted at the last meeting, Tuesday, March 24, 1914, and printed in volume 11.
Mr. PETERS. Mr. Chairman, we have prepared a statement in reply to the Post Office Department, which will be a final statement on the part of the committee on railway mail pay. [Reading:]

CLOSING STATEMENT FROM THE COMMITTEE ON RAILWAY MAIL PAY TO THE JOINT CONGRESSIONAL COMMITTEE IN REPLY TO THE STATEMENT OF THE POST OFFICE DEPARTMENT OF MARCH 24, 1914.

The committee representing the railroads would have preferred to have rested its case before your honorable committee with its statement of February 26, volume No. 9, because a careful review of the statement of the Post Office Department submitted on March 24 does not bring up any important features that require elucidation for the information of your committee, but it is realized that the testimony already printed is voluminous and that the reiteration in the Post Office Department's statement of certain claims already refuted may not be conveniently associated with the refutation or with the explanation.
In view of the announcement by the chairman that this will be the closing meeting of an investigation that has lasted 18 months, it is both interesting and instructive to recall that the last previous joint committee of Congress to study this question found a somewhat similar situation before it.
The investigation of the Wolcott-Loud commission extended from 1898 to 1901. Representative Moody, of Massachusetts, a member of that commission (and subsequently a justice of the United States Supreme Court), made a speech in the House of Representatives on February 5, 1901, reviewing the work of the commission. He said:

**When we began the work there were in existence, and supposed to be true, certain statistics which had largely affected public opinion. The statistics came from the Post Office Department itself. Gentlemen who based their reasoning upon those statistics had good excuse for doing so, because they were issued and put in circulation by the department itself. By these statistics it appeared that the average rate paid to railroads for transporting the mails was 6.58 cents per pound and that the average haul was 328 miles, and that we paid, on an average, 40 cents per ton per mile to the railroads for transporting the mails. Gentlemen may carry these figures, if they please, in their minds, as they are important. We went staggering along under the weight of those statistics until the summer of 1899. While we suspected that they were false, there did not seem to be anybody who could demonstrate that they were not true.**

Later on in his speech he says that a special weighing for 35 days in October and November, 1899, showed that mail equipment constituted 48 per cent of the mail matter sent by the railroads, although the department had previously claimed that the percentage of equipment was about 9½ per cent. He says elsewhere in his speech:

It has been supposed that we were paying 6⅔ cents per pound for the average payment to the railroads for the transportation of mails. In point of fact we were paying 2¾ cents per pound.

Later, he says:

Further, we found that the haul instead of being 328 miles was 438 miles. We further found, what is most important of all, that instead of paying 40 cents per ton-mile we were only paying 12.56 cents per ton-mile. In other words, we were not paying one-third as much as the Post Office Department had led the people of the country to believe we had been paying.

While the comments of Mr. Moody describe plainly and frankly the very grave statistical errors made by the Post Office Department, no one questioned for one moment the honesty or conscientiousness of the postal officials who had given authority and currency to those figures. The refutation was largely the result of the work of Prof. Henry C. Adams, the statistician of the Interstate Commerce Commission, whose services were secured by the joint congressional committee for that special work.

*Document No. 105 and the Hughes commission inquiry.*—Since the report of the Wolcott-Loud commission, in 1901, the Post Office Department has undertaken two very important and complicated tasks. The first was the ascertainment of cost to railroad companies of transporting the mails and the incidental services in connection therewith during the month of November, 1909, the results of which were published in House Document No. 105. The other was the earnest effort by the Post Office Department to analyze for the Hughes commission in the year 1911 the expenses of postal operations so as to determine the specific cost of handling and transporting second-class mail matter.

The inquiry of November, 1909 (H. Doc. No. 105), was from its nature a railroad problem more than a Post Office Department problem, whereas the ascertainment for the Hughes commission was entirely a problem resting on postal statistics. In the former, the cooperation and continuous advice of the railroad companies was quite essential to obtain correct results, whereas in the other the Post Office Department was not obliged to rely on any efforts and statements other than those of its own officers and its own postmasters and employees.

It should also be pointed out that these two inquiries were fundamentally different in their respective paths of procedure, because the inquiry of November, 1909, was conducted to ascertain certain percentages or ratios which would subsequently be applied to large sums of money, representing many millions of dollars; on the other hand the inquiry before the Hughes commission dealt with the subdivision of large sums of money with the object of focusing the several amounts to the respective classes of mail matter, finally reaching a result of a few cents per pound.

The Hughes commission dealt with the postal expenses for the year 1908, which were $210,000,000. The original calculation of the department's estimated cost per pound of second-class mail was

9.235 cents; consequently it was in the ratio of about 1 cent for each $22,000,000 of expenses. In other words, an error of over $20,000,000 could be disregarded without affecting the final result more than 1 cent. In the Hughes commission report, page 82 (footnote), it is shown that the department's revised computations showed a minimum cost of 8.263 cents per pound as compared with the original calculation of 9.235 cents per pound. The conclusions of the Hughes commission, on page 89 of their report, announce the following decisions:

> First. That the evidence submitted does not justify a finding of the total cost of transporting and handling the different classes of second-class mail matter.
>
> Fifth. That upon the basis of their apportionment for the fiscal year 1908, as modified by subsequent reductions in the expense of railroad transportation, the cost of paid-at-the-pound-rate matter for the services above mentioned is approximately 5½ cents a pound.

That is, the decision rests on only part of the postal expenses, omitting the general post-office service expenses, $86,000,000, and miscellaneous expenses not directly assignable, $30,000,000, or a total of $89,000,000 omitted. In the Hughes commission report, on page 73, referring to the general post-office service expenses, for which it could not obtain satisfactory statistics, the following remarks are quoted:

> It seems hardly worth while to include the subsidiary tables from which these later results are taken or to criticize the details, as the commission has little confidence in their accuracy.

And later, on the same page, the commission says:

> In view of the errors and inconsistencies in which the returns from the post offices abound—we do not extend this report to review them—our examination has convinced us that the computation is not sufficiently accurate to base an apportionment of the cost of the general post-office service.

The Hughes commission, therefore, preferred to make an incomplete report and rest their decision upon an ascertained cost of 5½ cents a pound for second-class matter rather than accept the findings of the Post Office Department for the apportionment of the remaining 3 cents.

Our purpose in alluding to this case is to emphasize the fact that the division of expenses in a calculation to ascertain specific cost is a delicate and difficult problem even for those who are familiar with the statistics that are necessarily employed. We also hope that we can say, without meaning any discourtesy to the officers of the department, that when an able and distinguished body such as the Hughes commission refused to accept the department's subdivision of the postal expenditures because they produced an uncertain variation in the final amount of 3 cents or less, we are probably justified in questioning the ratios arrived at by the Post Office Department in regard to railroad expenditures when small discrepancies in ratios or percentages would lead to final differences of many millions of dollars.

The expression of these views is not inconsistent with the appreciation we entertain for the enterprise, the industry, and the tenacity of purpose which the Post Office Department officials have exhibited in the prosecution of these two important inquiries.

*The inquiry of November, 1909, and the committee on railway mail pay.*—The history of the inquiry of November, 1909, resulting in House Document No. 105, has been so fully explained and the view of the railroads' committee has been so fully set forth in regard to the deficiencies and inaccuracies of Document No. 105, that there is no disposition to refer to the subject again. It seems advisable, however, to note in the record an expression of regret that the Second Assistant Postmaster General, in publishing the correspondence between the department and the committee on railway mail pay during 1910, should make the comment as he does on page 1252, that—

> It will be observed from this correspondence that the railroads' committee sought to induce the officers of the department to accept the totals obtained by the employees of such committee instead of relying upon the independent efforts of the officers and employees of the department in ascertaining the same in accordance with their duty prescribed by law.

Your committee will note that in the published letter of February 5, 1910, from Mr. Kruttschnitt, chairman of the committee on railway mail pay, that the assurance was given by Mr. Kruttschnitt to the Second Assistant Postmaster General that the committee would welcome any precaution which the department felt was essential to secure accuracy.

The Second Assistant Postmaster General intimates, on page 1252, that the acceptance of cooperation from the railroad committee would vitiate any finding which the department might make and would be wholly inconsistent with the duty devolved upon the Postmaster General by law and by his obligations in the premises.

This statement ignores the fact that the law of March 3, 1879, did not prescribe in detail the operations and precautions which the Postmaster General should employ, and consequently the Post Office Department was free to cooperate and free to adopt any precautions deemed necessary to insure trustworthy and accurate returns. From the very nature of the inquiry all of the information had to be supplied by the individual railroads, and it was the work of assembling this information and the work of coordinating it and interpreting it intelligently that the Post Office Department sought to do alone, with the unfortunate results that have been explained to your committee during the past year.

The Second Assistant Postmaster General says, page 1252:

> In my judgment the department's course was the only proper one, and, in view of the outcome, there can be no doubt about its wisdom.

In the view of the railroad committee it was not a question of propriety that governed the attitude of the Post Office Department, but rather questions of policy. If the department felt that cooperation would vitiate any finding which the department might make, it thereby confesses its unsuitability to be intrusted with the responsibility. When the law of March 3, 1879, was passed the Interstate Commerce Commission was not in existence. If the inquiry of November, 1909, had been conducted under the auspices of the Interstate Commerce Commission, we believe there would be no hesitancy or reluctance on the part of that commission to confer with the railroads and to cooperate in the ascertainment of correct statistics and in the proper interpretation of them.

But even if it be conceded that the Post Office Department for reasons of policy should have proceeded alone and made its own tabulation, there could be no good reason why, when this work was completed, they should not have conferred with the railroads again to match the respective totals, to discuss the differences, and to remedy the inadequacy of statistics, which in some cases were insufficiently given because of misunderstanding, such as would naturally arise in an extensive inquiry instituted for the first time. If such conferences had resulted in unreconcilable differences, these could have been submitted to Congress for final determination.

Aside from all of the important criticisms that have been justly made against the statistical presentation and conclusions drawn from Document No. 105, it can not be lost sight of that the department passed judgment upon the statistics of a single month, upon the imperfect results of a single and new inquiry, and failed to observe those precautions of prudential precedure which might properly be expected from any department of the General Government when dealing with a case involving the property and rights of the citizens.

No statement of contrary views and no reiteration of such statements by a bureau officer of the Government will debar the railroads' committee from insisting upon its right to be heard when it makes statements in regard to the division of the railroads' total operating expenses and the space relation necessary under operating conditions between the passenger, express, and mail services, notwithstanding the fact that the Second Assistant Postmaster General, on page 1252, says that the railroads' discussion upon these statements amounts to nothing more than a quibble.

*The question of underpayment.*—There seems to be nothing in the department's statements relating to overpayment or underpayment that calls for further comment. The department alludes to varying estimates made by the railroads as to the total amount of underpayment, but your committee understands very well that estimates based upon the comparative growth of freight revenue, or passenger revenue, or postal revenue are simply illustrative of tendencies which might be expected to be reflected in railway mail pay, especially if the national conditions are such as to warrant the belief that the volume and tonnage of mail transportation is at least keeping equal pace with other traffic. We believed that these incidental illustrations would assist the judgment of your committee in determining the fairness of the railroads' claim that the amount of underpay is at least $15,000,000.

Under this head the Post Office Department also alludes to the efforts made before the Hughes commission to apportion the postal expenditures for second-class mail matter, and concludes by saying:

> If the facts were known to the railroads' committee it would appear the interpolation of reference to such matter in their statement, in the incomplete manner in which presented, could have no other intention than that of misleading the joint committee.

We have already dealt adequately with that subject by making precise quotations from the Hughes commission report, and we take pleasure in referring your committee to the document itself, i. e., House Document No. 559, Sixty-second Congress, second session.

*Short-line railroads.*—On page 1253 the department mentions the criticism by the railroads of Table 7, Document No. 105, as showing

a large per cent of gain for short-line railroads, and says the results came from the statistics used; that "they are mathematically sound and the inevitable result of the elements on which they are based" and are "isolated cases."

Our criticism was not based upon the inevitable mathematical result of the figures used, but upon the acceptance of that result and the publication of it; and further, the cases are not isolated.

Table 7 of Document No. 105 shows 99 railroads charged with making a profit of from 100 per cent to 2,918 per cent on their mail service. Of these 99 railroads, 84 roads are 50 miles or less in length.

In some cases the department reached its result by cutting out part of the space charged to the mails. In other cases the little railroads apparently did not understand the department's forms and failed to make complete or correct reports, and this would have been evident to persons acquainted with the railroad service. The reports should have been verified and corrected before being published.

Observe on page 32, preliminary report of the joint committee, where Mr. Frazer of the Bellefonte Central Railroad, 19.51 miles long, shows that his road loses $1,521 a year, although the department attributed to him a profit of $575 a year. The department said he made a profit of 97 per cent. He says he had a loss of 61 per cent.

Observe in volume No. 5 (p. 750) that the East Broad Top Railroad reports a cost for side and terminal messenger service of $823 a year, although in Table 7, Document No. 105, the department credits only $5.80 for November, 1909, equivalent to $69.60 a year, or about one-twelfth of what the company claims. That road is shown in Table 7 as making a profit of 2,374.52 per cent.

*The ratio of total operating expenses to passenger-train service—Railroad, 34.42 per cent; Post Office Department, 29.21 per cent (p. 1258).*—On pages 1258 and 1260 the Post Office Department under the caption "The railroads' committee's erroneous 34.42 per cent," endeavors to disprove the correctness of the railways' assignment to passenger-train service of operating expenses and taxes in favor of the department's assignment, which apportions only 29.21 per cent of these expenses to passenger-train service.

No valid argument is made for rejecting the railroads' apportionment of operating expenses and taxes or for supporting that of the department. As has been before explained, about one-half of the railway operating expenses and approximately all of the taxes are not directly assignable to any class of traffic and must be apportioned arbitrarily. As to these expenses the department adopted a method of apportionment which allocated a lower estimate of cost chargeable to the mails than would have been obtained by any recognized plan of apportionment. Certain expenses which may be directly allocated to freight and passenger service are higher per train-mile for freight than for passenger, such as fuel, wages of trainmen, car repairs, etc. The operating expenses first referred to, which are of an indivisible nature, have no relation whatever to the expenses last named. Notwithstanding this fact, these expenses, to an aggregate of about 40 per cent of the total operating expenses, were assigned by the department in the same way as the direct charges. As a result of this, such expenses as the large sums incurred for maintaining roadbeds and track, according to the department's apportionment, would be far lower per train-mile for passenger than

for freight-train service. As passenger-train service is operated at faster speed, requires higher standard of maintenance, including more double track, expensive terminals, etc., and its presence increases the cost of freight operation because of delays to the latter, the reasoning of the department in this respect is fallacious, while the method used by the railways in apportioning these expenses is far more entitled to consideration. The railroads apportion, on a train-mileage basis, only the expenses which can not be directly assigned. This apportionment has been frequently termed by the department as arbitrary and antiquated. What may be said of the department's apportionment, based on the theory that because fuel for locomotives and wages of trainmen cost more per freight-train mile than per passenger-train mile, the same relative lower cost per passenger-train mile exists as to expenses of an entirely different nature, such as renewal of ballast, labor cost of repairing roadbed and track, cost of tunnel repairs, expense of maintenance of highway crossings of various kinds, etc.? There is good foundation for the railways' assumption that as these expenses are incurred for train service as a whole they may be justly apportioned on the basis of train mileage, but absolutely no justification for the application of the method used by the Post Office Department. The insufficiency of the department's allowance for passenger-train expenses may be further understood by considering certain expenses incident to passenger-train operations which have been charged wholly to freight service, such as delay to freight trains because of preference given passenger trains (this being one reason for increased wage cost per freight-train mile) and to the charging to freight-train service of the whole cost of handling company freight.

This freight, consisting of rails, lumber, and other material for maintenance, fuel, etc., is handled for passenger-train service as well as for freight, and a substantial part of the freight-train expense should, on this account, be transferred to passenger-train service. Analysis of annual reports for the year ending June 30, 1910, for 108,801 miles of road, moving approximately one-half of the freight traffic of the United States, showed that ton-mileage of company freight comprised 11.85 per cent of the total ton-mileage handled by freight trains. A transfer of a proper share of the cost of handling this tonnage to the passenger-train service would largely increase the Post Office Department's estimate of passenger-train expenses.

On page 1260 the department concludes that the ratio of operating expenses and taxes to revenue for passenger-train service is only slightly more than for freight. The erroneous nature of this result is obvious when it is considered that revenue, which is the divisor, was for the year under discussion $2.86 per train-mile for freight trains and only $1.30 for passenger trains.

Mr. Stewart expresses the view that his figures are more in accord with a businesslike administration of the railroads, which may be true, but he forgets that the rates and conditions of service which produce the existing results are out of the control of the carriers. For many years railway wages and material prices have been going up. The railways have been able to partly recoup themselves through better car and train loading in the freight service, but with different conditions in passenger-train service a similar improvement in loading has not been possible. This is illustrated by the

trend of revenue from passenger service as compared with the operating cost. During the 20 years from 1890 to 1910 the operating expenses and taxes per total train-mile for all railways in the United States increased 56 cents. Compared with this the passenger-train revenue per train-mile increased only 22 cents, in 1890 the passenger revenue per train-mile being 8 cents higher than the operating cost per total train-mile, whilst in 1910 it was 26 cents lower.

In this connection attention should again be drawn to the fact that all of the calculations of the department as to railway-mail expenses are based on the statistics obtained for November, 1909, whilst statement submitted by the committee on railway-mail pay (p. 1085) showed that during the four years ending 1913 railway operating expenses increased 29.6 per cent per mile of road operated, taxes increasing during this period 34.6 per cent per mile of road, net revenue after taxes decreasing 6.9 per cent, whilst the ratio of operating expenses to revenue, which in 1909 was 65.5 per cent, had increased in 1913 to 71.2 per cent. This further emphasizes the necessity for permitting the railways, under a fair plan of mail compensation, to secure some advantage through reduced operating cost per ton-mile by better car loading to offset the effect of rises in labor and material prices. It may be remarked incidentally that a space basis for payment is directly opposed to this theory, in that the shipper receives all the advantage of better car loading, whilst the railway expenses are increased without any compensation therefor.

*The charge of space to the mail service.*—The department's defensive statements under this head do not meet squarely the argument of the railroad committee, as set forth in volume No. 9, in regard to the unfairness of picking out and disallowing so-called "dead space" in connection with the mail service without taking similar note of so-called "dead space" in the passenger and express services. In regard to full R. P. O. cars, the department quotes its rule that it was the intention to credit the mail service with the return movement of the maximum space authorized outbound, and the railroads do not doubt that this was the intention, but the question remains as to whether this intention was carried out. It may be noted that in volume No. 2 (p. 415) it is shown for the Pennsylvania Railroad system that after the first publication of Document No. 105 the department made a correction upon representations of the railroad company so that 5,706,000 car-foot miles was credited to the mail service for R. P. O. cars which had not been treated according to the department's rule. It is possible that if other railroad companies had made similar analysis of the details, further credits might have been called for and obtained, as was done in the case of the Pennsylvania Railroad system. There is the further point to be made that while the department's intention as to R. P. O. cars may have seemed perfectly fair from the department viewpoint, yet it failed to recognize the necessity of uniform standard sizes which the railroad company is operating and which would be incumbent upon the department itself if it owned the R. P. O. cars.

On page 1264 the department says:

> Concerning mail-storage cars, the claim is made that a large amount of space necessary in the operation of storage cars was disallowed by the department. The department credited all storage-car space where it was used for

mail purposes. Where it was not so used it was charged to "dead space." It is believed that the railroad companies use such storage cars for their own purposes in many cases. The claim of the railroads' committee, therefore, that a large portion of this space should have been charged to mail is a claim unsupported by any definite evidence as to amount and should not be given serious consideration.

In this the department gives a very narrow meaning to the word "used" when they say that they credited all storage-car space where it was used for mail purposes. The inevitable return movement of empty storage cars that were loaded outbound with mail is part of the use made of the car equipment, and the department itself recognizes this principle in its proposed bill in volume No. 8, where it is said that payment will be made for the round trip.

As to the suggestion that this claim is unsupported by any definite evidence as to amount and should not be given any serious consideration, attention is called to the statement by the Pennsylvania Railroad system in volume No. 2 of the hearings (p. 411), where it is clearly shown that the department disallowed 11,523,000 car-foot miles for the month of November, 1909, for deadhead storage cars returning, which were not used in the company's business. It is probable that the total amount of storage-car space disallowed by the department for all railroads for November, 1909, would be not less than 50,000,000 car-foot miles.

The department under this head does not discuss fairer allowances for mail-apartment cars. It has previously intimated that a revision of its figures for this class of service might be justified, but has never stated definitely the amount of additional allowance of space which its further consideration of the subject would lead it to grant.

As regards closed-pouch space, the department quotes the rule employed on the Pennsylvania Railroad lines during November, 1909, and then makes the following statement on page 1265:

> The fact is that the report of the Pennsylvania Railroad and that of the New York Central & Hudson River Railroad Co., both of which used the rule above mentioned, showed less linear space for closed-pouch service than the computations made by the department upon the statistics of closed-pouch mails taken during the month of November entitled them to. It is submitted that no more conclusive argument need be advanced in favor of the sufficiency and fairness of the department's rule in that respect.

In reply to this statement of the department just quoted, it is learned that the records of the Pennsylvania Railroad Co. show for closed-pouch service during November, 1909, 2,774,460 car-foot miles, of which the Post Office Department allowed only 2,122,106.18. The Post Office Department in this case disallowed 652,353.82 car-foot miles, or about 23½ per cent. The same figures for the Pennsylvania Railroad system, as shown in the companies' records for closed-pouch service, was 7,231,969 car-foot miles, of which the department allowed 5,044,839, thus disallowing 2,187,130 car-foot miles, a disallowance of 30 per cent.

As regards the New York Central & Hudson River Railroad Co. the company reported 3,406,641.67 car-foot miles and the department allowed 1,453,829.34. The department disallowed 1,952,812.33 car-foot miles, or 74.45 per cent.

It would therefore seem that the department's idea is erroneous that these companies reported less than the department's computations showed them to be entitled to.

This whole subject of the charge of space to the mail service would have been greatly clarified if the request from the railroad's side of a year ago had been complied with, namely, that the department be called upon to analyze the so-called "dead space" so as to show whether it was chargeable to R. P. O. car space, or storage-car space, or apartment-car space, or closed-pouch space. The Second Assistant Postmaster General indicated at that time that this analysis could not be made without additional clerical force which would have cost about $1,500, and that he was unable to proceed with the analysis unless the joint congressional committee would authorize that expense.

*The gauge of railway mail pay.*—The department contends that the reply of the railroads' committee to their question "Shall the gauge of railroad mail pay be a strictly commercial rate?" is insufficient, and they again invite attention to their argument which appears in volume No. 7 (pp. 998–1004). The considerations which the department ask to be given weight (see p. 998) are the following:

1. The certainty, constancy, and homogeneity of traffic.
2. The certainty and regularity of payment.
3. Railroads are not built primarily to carry mails.
4. The protection to their mail trains which railroads, as Government agencies, receive against unlawful acts in interference with or obstruction of the mails carried.
5. The principle of public utility.

The railroad committee believe that in volume No. 9 (pp. 1076–1078) it made a sufficient reply on the whole subject, and specifically with reference to considerations 1, 2, and 4. If the joint committee desires further discussion of these considerations it will give us pleasure to cover the subject more extensively, but, in our opinion, this is not necessary.

In preparing our reply that was published in volume No. 9 we refrained from presenting some quotations and some discussion which may now be briefly submitted in response to the insistence of the department's representative.

The department, in volume No. 7 (p. 1000), makes the following statement:

> 3. *Railroads are not built primarily to carry mails.*—Railroads are projected and built for the purpose of securing passenger and freight traffic. It is doubtful if the question of the carriage of the mails ever enters into the calculations of any railroad enterprise. After its construction the mail naturally follows, and the companies usually secure that business without solicitation. This is a strong argument in favor of treating the carriage of the mail as a by-product, and to charge it with a participation in all of the costs of the road is very liberal policy.

After perusing this statement the reader would naturally pause to consider that as the United States mail had been an important article of transportation fully 50 years before any railroads were built in the United States, it would be quite likely that the builders of railroads would have in mind all possible traffic that could be obtained and would certainly include the mails in their calculation.

However, we find at the foot of page 1002 the following assertion by the Post Office Department:

> No railroad of any importance could be successful in its operations without the regular, certain, and speedy transmission of the mails over its line. It is a truism which no one will controvert, that practically all commercial and

industrial enterprsies, as well as social intercourse extending beyond the neighborhood, depend absolutely upon the mails. As the community thus primarily depends upon the mails, in a greater degree railroads so depend, as they must rely wholly upon the communities for whose business they are constructed and operated. It must, therefore, be apparent that no commodity transported is entitled to as great consideration in the matter of rate making as the United States mails.

Here we have the assertion that the mails are so essential to the community and to the railroad that it could not be successfully operated without them, in apposition to the statement previously made that it is doubtful if the question of the carriage of the mails ever enters into the calculations of any railroad enterprise.

But we recall that something was said on this subject in the hearings of May 14, 1913. Turning to volume No. 5 (p. 659) we find that the Second Assistant Postmaster General was asked what would be the probable revenue to the Government from first-class mail matter if there were no railroad service. The Second Assistant Postmaster replied as follows:

Of course, it would be greatly reduced. We are all glad to admit, and it is not an admission, for we are glad to say that the railroad companies perform a wonderful service for the Government and for the people; and if it were not for the railroads mail service would be a very insignificant thing.

We respectfully submit that the views expressed by the department's representative on both sides of the question are sufficiently comprehensive to relieve the railroads' committee from offering any comment or argument.

In response to the fifth consideration, namely, "the principle of public utility," it is to be observed that the main dependence of the department in volume No. 7 is a quotation from Prof. Henry C. Adams in the report which he made to the Wolcott-Loud commission on February 1, 1900. The department makes two quotations from Prof. Adams and omits a number of other quotations which might have been made with more effect, because they are more significant of Mr. Adams as a statistician and as a student at that time of the railroad mail service. For example, in Senate Document No. 89, part 2, Fifty-sixth Congress, second session, pages 190–200, Prof. Adams reaches the conclusion that ton mileage or weight multiplied into distance is the proper basis for determining railway-mail compensation.

On page 182 Prof. Adams insists that the ascertainment of cost by analysis of operating expenses is not practicable, and says:

It can not be recognized as a proper method of arriving at reasonable compensation for the transportation of the mail.

On pages 203–206 Prof. Adams gives a useful interpretation of the law of 1873, which he discusses with marked approval as to the general arrangement of rates.

Again, on page 419, he expresses the opinion that postal officials and employees when traveling in passeneger cars should certainly have their fare paid by the Government.

On page 442, discussing side messenger service, he says:

In equity the Government ought to assume the expense of this service.

None of these opinions of the eminent statistician are quoted by the Post Office Department in either volume No. 7 or volume No. 11 of the hearings.

The opinion of Prof. Adams that is quoted by the Post Office Department is his discussion of the principle of public utility which he introduced in his report to the Wolcott-Loud commission, not because it was appropriate to his position as statistician of the Interstate Commerce Commission, but rather as a development of his studies as professor of political economy in the University of Ann Arbor, Mich.

It may be said on behalf of statistician Adams that whatever views he held as professor of political economy and felt tempted to express in his official report did not in any way influence the definite recommendations which he made to the Wolcott-Loud commission in regard to the amount of railway-mail pay. His conclusion was that the railroads at that time were not grossly overpaid, although they were receiving about 35 per cent of the postal revenues. His study of the subject led him to believe that the railroads carrying an average daily weight of over 30,000 pounds were somewhat overpaid. He proposed a level reduction of 5 per cent for all railroads, with an additional reduction of from 1 to 12 per cent on all roads receiving in excess of 20 per cent per ton per mile. He also recommended further investigation, because he believed that if the average load in mail cars could not be materially increased his recommendations for a reduction in pay would have to be withdrawn. When his report was under review by the Wolcott-Loud commission and he was under cross-examination he admitted that his recommendations for reduction and at the same time for further investigation were inconsistent with each other; he also admitted that his recommendation for a reduction of 5 per cent for all roads was inconsistent with his conclusion that the roads carrying less than 30,000 pounds a day were not overpaid.

He finally revised his statement and declared that his conclusions as to reductions in pay were all based on the idea that the joint committee desired to eliminate the postal deficit, and he thought the greatest contribution which the railroads could be justly expected to make toward reducing the postal deficit would be approximately $3,000,000 out of a total railway mail pay at that time of $34,000,000.

The conclusion of the joint committee was that Prof. Adams had not sustained his recommendation for the reduction in pay which he proposed and they, therefore, reported to Congress that the railroads were not overpaid. It will thus be seen that the action of Congress as well as the recommendations of Prof. Adams were in accordance with the recognized customary constitutional relations existing between the Government and those citizens from which it purchased service.

Prof. Adams's theory regarding the principle of public utility was considered to have a strong tendency toward general socialism. In this connection it is interesting to quote from his cross-examination at the hearing of April 7, 1900, page 436:

> Mr. LOUD. Does it not lead right up to the German system as operated to-day—the Government ownership of railroads, supported by taxation, and levying such tariffs upon articles as they see fit, and then recouping from another?
>
> Mr. ADAMS. Yes; it leads to the determination of the entire schedule of railroad rates upon the principle of public utility.

It is suggested that the so-called principle of public utility, the full consideration of which would bring into contemplation the total so-

cial structure and governmental relations of the whole American people, has no proper place in the discussion of a question of simple business administration, i. e., reasonable compensation for the performance of a service that is almost entirely commercial.

In closing this question of public utility it is only fair to Prof. Adams to restate the most significant paragraph of the quotation which the department employs in volume 7, page 1002, but omits to quote verbatim in its statement contained in volume No. 11. This reads as follows:

> The position of this report is that the private interest in railway charges is limited to the claim that the gross revenue of railways should be adequate to cover operating expenses, fixed charges, and a fair return to stockholders; but this sum having been guaranteed, the manner in which the gross amount is collected from the shippers is a matter of public policy and not of private interest.

Senator WEEKS. May I ask you right here how much of an authority you consider Prof. Adams in these matters?

Mr. PETERS. Prof. Adams is a very deep student; a very earnest, honest, and sincere man. When Document 105 came out we asked him to analyze the method used for dividing expenses and give us a paper on it. He did so. We studied it very thoroughly, but never submitted it, because he made the statement that you never could exactly allocate expenses, but they could only be approximated. All of us have been allocating expenses and have been endeavoring in one manner and another to ascertain cost expenses, some of us on the train mileage basis, some on a basis used in the West, but all were methods of estimating, and it had to be estimated. Prof. Adams said that costs could be estimated, but you could not accurately determine them, and therefore you could not determine pay on a cost basis because you could not ascertain the exact cost. It was a very long and able paper, and I do not know but what it might be a good thing some time to put it into the record as a matter of instruction, because Prof. Adams has been looked up to as a great authority on this question of analyzing accounts and is an authority in political economy.

The CHAIRMAN. Have you got it here with you?

Mr. PETERS. No; I have not.

The CHAIRMAN. How soon could you send it over here?

Mr. PETERS. As soon as I return home. However, like doctors, all political economists differ, as statisticians differ.

Senator WEEKS. I understand that; but Prof. Adams has for many years been quoted as an authority on this general subject, and I wanted your view as to his competency.

Mr. LLOYD. Are you willing that his statement go into the record as coming from your side, or would you want it in as an independent statement?

Mr. PETERS. If it goes into the record it should go in as presented by our committee, but we felt that putting it into the record and bringing up this question of the inability to make a comparative statement of costs by an arbitrary allocation of expenses or distribution of expenses would cloud the discussion and cause every one of you to get into a whole lot of detailed disputes and arguments over the question of distributing the expenses. You know the discussion that has arisen between the department and ourselves; there

have been differences in the methods used, and Prof. Adams said there is no possible way of exactly distributing costs.

Mr. LLOYD. Is that the only difference between your view and that of Prof. Adams?

Mr. PETERS. That was the difference. Many of our committee objected to our going on record with a statement from any expert that it was not possible to make a reasonably fair allocation or distribution of expenses to obtain a fairly reasonable comparison of cost.

Senator WEEKS. Will you please have it sent over?

Mr. PETERS. I will.

Mr. TUTTLE. Do you refer to Prof. Adams's statement in 1900?

Mr. PETERS. No. I refer to one he made for our committee.

Mr. TUTTLE. How recently?

Mr. PETERS. Nearly four years ago when we started the study of Document 105.

Mr. LLOYD. It is a statement based on Document 105.

Mr. PETERS. Yes. We also had a statement from Mr. Woodlock, a statistician in New York City, and also one from the editor of the London Statist, Mr. W. M. Ackworth.

The CHAIRMAN. How elaborate were their examinations?

Mr. PETERS. They were not near so elaborate as that of Prof. Adams, but his discussion was on the ability to exactly and accurately distribute expenses into the different classes of service.

The CHAIRMAN. In view of the fact that you have introduced in your testimony the information that Prof. Adams, at your request, has prepared for your committee, after examination and study, a report on Document 105, I think the committee would appreciate it if you would send such report to us in order that we may have the benefit of same in our consideration and determination, and also to enable us to determine whether we will have it printed or not.

Mr. PETERS. I will be glad to send it, and we will also send the one from Mr. Woodlock, which is short. [Reading:]

It will be observed that Prof. Adams insists upon an allowance not only to cover operating expenses, but also to cover fixed charges and a fair return to stockholders, these last two important specifications representing factors that were entirely omitted in House Document No. 105. Your committee will also not fail to see the significance of the clause which reads "but this sum having been guaranteed." The Post Office Department in its statements discussing the principle of public utility in either volume No. 7 or volume No. 11 does not indicate whether in their opinion the General Government should guarantee the interest on all the railroads' securities in advance of asking Congress to approve the principle of public utility, which would be applicable to freight and passenger service, as well as to the mail service.

While we have thus responded to the urgent insistence of the Post Office Department for further discussion of these general considerations, it seems proper to state that none of this general discussion would have been necessary if the Post Office Department had not overlooked in Document No. 105 the necessity of providing for the capital cost—that is, a return upon the railroad property utilized in the performance of the mail service.

In Document No. 105 there are three letters of transmittal; one signed by the former Postmaster General, Mr. Frank H. Hitchcock, the second signed by the Second Assistant Postmaster General, Mr. Joseph Stewart, and the third signed by the committee of Post Office Department officials who were charged with the duty of considering the results of the information secured from the railroad companies and to report thereupon to the Postmaster General One can search in all these letters in vain for any statement that shows a consciousness of the necessity of providing for this fundamental item of cost.

When this omission was fully developed before your joint committee the Post Office Department admitted their error by conceding in letter of January 9, 1913, to the chairman of the joint committee that—

> In addition to the operating expenses and taxes apportionable to the mail service and 6 per cent thereto, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.

The phrasing of this concession represents the beginning of the development of the line of thought which has culminated in these later discussions regarding the alleged certainty, constancy, and homogeneity of the traffic, and the other features that lead up to the so-called principle of public utility.

None of these considerations were apparently in the minds of the Post Office Department officials when Document No. 105 was submitted, and there was apparently no thought of treating this question except on the basis of reasonable compensation and in accordance with the commercial principle. If there had been, surely there would have been some allusion to it in these several letters of transmittal.

*Comparison between revenue received by railroad companies for express and for mail services.*—Preliminary to any remarks from the railroads' side regarding the statements made by the Post Office Department (pp. 1271–1278) relative to the comparative compensation received by the railroad companies from the express traffic and the mail traffic, it should be noted by your committee that this subject is now introduced for the first time by the Post Office Department officials, although Document No. 105 was published over two years ago and your committee has been collecting evidence and hearing testimony for the past 18 months and have now arrived at the last days of the investigation.

In Document No. 105 none of the letters of transmittal say one word on this subject. The tables published in Document No. 105 fail to state the amount of revenue received by the railroad companies from the express business or the passenger business, although this information was given to the department by the railroads for the month of November, 1909, and the railroads have complained of the failure of the department to publish the amounts for the information of Congress.

The statement of the Post Office Department made under date of January 16, 1914, contained in volume No. 7 of the hearings, was apparently intended as a complete recital of the department case and was written after six months' delay for the purpose of reviewing the data and the hearings, and yet we can not find one word in

it relating to any comparison with express traffic or the revenue received by the railroad companies from express and from mail.

Now, at this late date, March 24, 1914, the Post Office Department lays before your committee a lot of undigested material, and concludes by saying, on page 1278:

> It must be remembered, as hereinbefore stated, that this is placing the mail service on the basis of the express service and not accounting for the value of such differences between them as may exist. Furthermore, it is placing the entire subject matter of the mail service upon the same basis as the subject matter of the express service.

We believe that it is evident to your committee, before we make any explanation on the subject, that it would be impracticable to make any satisfactory comparison without several months for additional investigation.

The two services are on an entirely different basis. In the case of the express traffic, the railroads receive a percentage of the gross receipts varying from, perhaps, 40 per cent to 55 or 58 per cent. The Interstate Commerce Commission in its report for 1909 stated that the average percentage was 47.53 per cent. The mail service is paid for mainly on the basis of weight multiplied by distance or ton-mileage. The total ton-mileage of the express traffic is not known, but whether the comparison is made between the express and mail on the basis of relative returns from ton-mileage or relative returns from car space, there would have to be a precise appraisal of the differences in the relations, because the express companies in connection with their railroad transportation perform many services for themselves which the Post Office Department requires from the railroad companies. Also, the express companies make many payments for rent of station facilities, and as sharing in the wages of railroad employees for which there is no similar contribution from the mail service. In addition to this, the express companies perform many services for the railroad companies, as in the transportation of railroad companies' express packages, the collection and forwarding of money, the distribution and transportation of railroad tickets, etc., for which there are no precise ascertainments or even estimates as relating to the entire railroad mileage upon which the mails are also carried. To obtain this information it would be necessary to start a new inquiry and to obtain in detail from each company the terms of its contractual relations with the express company operating over its lines and a definite appraisal of these various services.

*Information regarding express traffic already in the record.*—In the hearings held before your committee during the past year there are a number of contributions from the committee on railway mail pay which enable you to obtain a general idea regarding the relative pay to the railroads from express and mail traffic. In volume 1 (pp. 51–52) the committee on railway mail pay showed that, according to their ascertainment for the month of November, 1909, covering 178,709 miles of railroad, the relative earnings on the car-foot mile basis were, from mail, 3.228 mills, and from express 3.855 mills. For a 60-foot car this would show an earning from mail of 19.36 cents and from express 23.13 cents. The railroads, therefore, earned from the express traffic, on the space basis, 19 per cent more than from the

mail, notwithstanding the fact that the mail service is known to be much more expensive for the railroads to operate.

In volume No. 1 (p. 122) a statement was submitted showing that on inadequate data it appeared as though the earnings of the railroads per ton-mile express as compared with the ton-mile earnings from mail were not far apart, being somewhere between 7 and 8 cents for either. This conclusion must also be received with the same reservation that the express tonnage can be loaded more compactly and economically than the mail tonnage, and that the service is less expensive to the company than the performance of the mail service.

In volume No. 2 (p. 325) Dr. Lorenz computes the respective car-mile earnings to railroad companies from mail and express. It appears in his calculation that the railroad earnings per car-mile are 13 per cent higher from the express if the gross mail space reported in Document No. 105 for mail is credited to the companies. It also shows that if the gross space as published by the Post Office Department is not credited, but only the net space taken, the earning from a 60-foot mail car would be 9 per cent greater than the earning from an express car of similar length. In this case the railroads would point out that even the gross amount of space published in Document No. 105 as reported against the mail service does not represent the correct total as reported by the companies. Also, that in this illustration, as in the others, it would be necessary to make allowances for the greater economy to the railroads of performing the express business both in operations and in incidental services rendered by the express companies themselves.

In volume No. 2 (p. 335) Mr. Worthington, on behalf of the Southern Pacific road, showed that on the very low contract basis of 40 per cent of express earnings the mail traffic showed only 4½ per cent greater earnings than the express traffic, whereas on the Union Pacific, where the usual contract was in operation, the express space showed 11 per cent greater earning than the mail space.

In volume No. 2 (p. 419) Mr. Bradley, reporting for the Pennsylvania Railroad system, showed that on the company's compilation of space the earnings from express traffic were 22 per cent greater than from the mail traffic. He also showed that the Post Office Department credited a mail earning to the Pennsylvania Railroad system of 3.873 mills, while the earning from express on the company's showing was 3.898 mills, so that even here there was a small advantage from the express traffic independent of the modifications that would be subsequently necessary on account of the more economical performance of service and an appraisal of the express company's contributions toward the work and expenses.

In volume No. 2 (pp. 437–438) there is stated in parallel columns a number of differences in the relations which the railroad company bear to the express companies and to the Post Office Department, showing that these relations are much more favorable both financially and in operating performance with the express traffic than they are with the mail traffic.

In volume No. 2 (p. 526) Mr. Peabody, on behalf of the Atchison, Topeka & Santa Fe Railway, shows that on the space basis the mail

earnings are about 4 per cent higher than from the express traffic, but explains that this is due to a contract which will not be renewed. It will be noted in this case that the railroad company will be able in due time to revise this contract, which would not be the case in relation to mail service, where the rates and conditions of service are fixed by statute or by Post Office Department regulations having the same force. It is also to be noted that Mr. Peabody's finding would require further modification if the comparative relations as to economy of operation in connection with the express traffic as compared with the mail traffic were fully set forth.

In volume No. 2 (pp. 747–758) there is published a statement on behalf of 21 short-line railroads which shows respective earnings from express and mail traffic. The summary indicates that the receipts from express traffic are about 30 per cent greater than from mail traffic, but as the units of service, such as ton-miles or relative amount of car space, are not stated, one can only get a general impression. It will thus be seen that the subject has not been overlooked in the testimony offered by the representatives of the railroads, and that a review of the testimony indicates quite plainly that the express traffic is somewhat more remunerative to the railroads as a whole than the mail traffic.

*Comparative gross receipts.*—At the hearing of March 24, 1914, Mr. Worthington, on behalf of the committee on railway mail pay, submitted a memorandum of the annual receipts of the railroad companies from mail traffic and express traffic for the years 1909 to 1913, inclusive. For the first and last of these years the figures are as follows:

| | Mail traffic. | Express traffic. |
|---|---|---|
| Year ending June 30— | | |
| 1909 | $49,869,375 | $64,032,127 |
| 1913 | $51,959,388 | $83,872,497 |
| Increase, 1913 over 1909 | $2,090,013 | $19,840,370 |
| Increase in per cent | 4 | 31 |

*Comparison of express and mail rates between specific points.*—The Post Office Department submits a list of comparative express and mail rates per 100 pounds between specific points. The table submitted contains 114 illustrations, and the whole number of illustrations are without value to your committee, because they are all based upon the minimum express rate, i. e., the rate per 100 pounds.

Suppose that the railroad companies had been submitting a similar illustration and based it upon the maximum express rate, namely, the rate for 1 pound. What would be thought of the fairness of the presentation?

To illustrate this point we have prepared a statement based on the first 15 examples quoted by the department in its 100-pound table on page 1272, and show on successive lines the rate which the department has worked out for each package of 100 pounds in weight in comparison with what the rate would be if it were based upon 100 1-pound packages. The ton mileage in both cases would be the same.

*Comparison of express and mail rates per 100 pounds.*

First. At the rate for 100 pounds (in one package) used by the Post Office Department.
Second. At the rate for 100 pounds (in one hundred 1-pound packages) used by the railroad company.

| | Length of mail routes. | First class express rate for one 100-pound package. | First class express rate for one hundred 1-pound packages. | Mail rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over mail rate. | Per cent of excess of mail rate over 50 per cent of express rate. | Per cent of excess of 50 per cent of express rate over mail rate. |
|---|---|---|---|---|---|---|---|---|---|
| Akron, Ohio, to Pittsburgh, Pa.: | | | | | | | | | |
| Post Office Department. | 132.05 | $1.00 | ..... | $0.75 | $0.50 | $0.25 | ..... | 50 | ..... |
| Railroad company..... | 132.05 | ..... | $21.00 | .75 | 10.50 | ..... | $9.75 | ..... | 1,300 |
| Altoona, Pa., to New York, N. Y.: | | | | | | | | | |
| Post Office Department. | 326.86 | 1.40 | ..... | .88 | .70 | .18 | ..... | 26 | ..... |
| Railroad company..... | 326.86 | ..... | 22.00 | .88 | 11.00 | ..... | 10.12 | ..... | 1,150 |
| Anniston, Ala., to Washington, D. C.: | | | | | | | | | |
| Post Office Department. | 748.20 | 2.90 | ..... | 2.53 | 1.45 | 1.08 | ..... | 74 | ..... |
| Railroad company..... | 748.20 | ..... | 23.00 | 2.53 | 11.50 | ..... | 8.97 | ..... | 355 |
| Asheville, N. C., to Washington, D. C.: | | | | | | | | | |
| Post Office Department. | 476.17 | 2.20 | ..... | 1.97 | 1.10 | .87 | ..... | 79 | ..... |
| Railroad company..... | 476.17 | ..... | 22.00 | 1.97 | 11.00 | ..... | 9.03 | ..... | 458 |
| Ashland, Ky., to Cincinnati, Ohio: | | | | | | | | | |
| Post Office Department. | 145.71 | 1.15 | ..... | .56 | .58 | ..... | .02 | ..... | 4 |
| Railroad company..... | 145.71 | ..... | 21.00 | .56 | 10.50 | ..... | 9.94 | ..... | 1,775 |
| Buffalo, N. Y., to Boston, Mass.: | | | | | | | | | |
| Post Office Department. | 496.90 | 1.60 | ..... | 1.37 | .80 | .57 | ..... | 71 | ..... |
| Railroad company..... | 496.90 | ..... | 22.00 | 1.37 | 11.00 | ..... | 9.63 | ..... | 703 |
| Burlington, Vt., to Boston, Mass.: | | | | | | | | | |
| Post Office Department. | 247.34 | 1.15 | ..... | 1.52 | .58 | .94 | ..... | 61 | ..... |
| Railroad company..... | 247.34 | ..... | 21.00 | 1.52 | 10.50 | ..... | 8.98 | ..... | 591 |
| Burlington, Iowa, to Chicago, Ill.: | | | | | | | | | |
| Post Office Department. | 205.57 | 1.25 | ..... | .58 | .63 | ..... | .05 | ..... | 9 |
| Railroad company..... | 205.57 | ..... | 22.00 | .58 | 11.00 | ..... | 10.42 | ..... | 1,797 |
| Cedar Rapids, Iowa, to Chicago, Ill.: | | | | | | | | | |
| Post Office Department. | 218.30 | 1.25 | ..... | .71 | .63 | .08 | ..... | 13 | ..... |
| Railroad company..... | 218.30 | ..... | 22.00 | .71 | 11.00 | ..... | 10.29 | ..... | 1,449 |
| Charleston, W. Va., to Washington, D. C.: | | | | | | | | | |
| Post Office Department. | 387.71 | 1.75 | ..... | 1.44 | .88 | .56 | ..... | 64 | ..... |
| Railroad company..... | 387.71 | ..... | 22.00 | 1.44 | 11.00 | ..... | 9.56 | ..... | 664 |
| Chattanooga, Tenn., to Cincinnati, Ohio: | | | | | | | | | |
| Post Office Department. | 338.15 | 1.85 | ..... | 1.40 | .93 | .47 | ..... | 51 | ..... |
| Railroad company..... | 338.15 | ..... | 22.00 | 1.40 | 11.00 | ..... | 9.60 | ..... | 686 |
| Chicago, Ill., to Boston, Mass.: | | | | | | | | | |
| Post Office Department. | 1,019.18 | 2.50 | ..... | 2.81 | 1.25 | 1.56 | ..... | 125 | ..... |
| Railroad company..... | 1,019.18 | ..... | 23.00 | 2.81 | 11.50 | ..... | 8.69 | ..... | 309 |
| Chicago, Ill., to Kansas City, Mo.: | | | | | | | | | |
| Post Office Department. | 454.00 | 2.10 | ..... | 1.52 | 1.05 | .47 | ..... | 45 | ..... |
| Railroad company..... | 454.00 | ..... | 22.00 | 1.52 | 11.00 | ..... | 9.48 | ..... | 623 |
| Chicago, Ill., to Milwaukee, Wis.: | | | | | | | | | |
| Post Office Department. | 85.00 | .90 | ..... | .29 | .45 | ..... | .16 | ..... | 55 |
| Railroad company..... | 85.00 | ..... | 21.00 | .29 | 10.50 | ..... | 10.21 | ..... | 3,520 |
| Chicago, Ill., to Minneapolis, Minn.: | | | | | | | | | |
| Post Office Department. | 423.79 | 2.00 | ..... | 1.19 | 1.00 | .19 | ..... | 19 | ..... |
| Railroad company..... | 423.70 | ..... | 22.00 | 1.19 | 11.00 | ..... | 9.81 | ..... | 824 |

It will be seen by comparing the last two columns that the department finds that the railroad company received from the mail traffic a greater revenue than from express traffic, ranging from 13 per cent to 125 per cent, whereas the last column, based upon one hundred 1-pound packages, shows that the railroads received from

the express traffic a higher revenue than from mail, ranging from 309 per cent to 3,520 per cent.

Taking one specific instance—Chicago to Milwaukee—the department admits a higher earning to the railroad company from the express of 55 per cent at the 100-pound rate, while our statement shows greater earnings of 3,520 per cent, or 60 times as great, based on the 1-pound rate.

A similar illustration will be made of the first 15 examples shown on page 1274 in the table headed "Comparison of express and mail rates per 40 pounds." The department shows an excess of earnings to the railroad company from the mail varying from 4 per cent to 110 per cent, while we show, on the basis of forty 1-pound packages, that there is a greater earning from express traffic, ranging from 311 per cent to 3,400 per cent.

*Comparison of express and mail rates per 40 pounds.*

First. At the rate for 40 pounds (in 1 package) used by the Post Office Department.
Second. At the rate for 40 pounds (in forty 1-pound packages) used by the railroad company.

| | Length of mail routes. | First-class express rate for one 40-pound package. | First-class express rate for forty 1-pound packages. | Mail rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over mail rate. | Per cent of excess of mail rate over 50 per cent of express rate. | Per cent of excess of 50 per cent of express rate over mail rate. |
|---|---|---|---|---|---|---|---|---|---|
| Akron, Ohio, to Pittsburgh, Pa.: | | | | | | | | | |
| Post Office Department. | 132.05 | $0.52 | ..... | $0.30 | $0.26 | $0.04 | ..... | 15 | ..... |
| Railroad company..... | 132.05 | ..... | $8.40 | .30 | 4.20 | ..... | $3.90 | ..... | 1,300 |
| Altoona, Pa., to New York, N. Y.: | | | | | | | | | |
| Post Office Department. | 326.86 | .68 | ..... | .34 | .34 | ..... | ..... | ..... | ..... |
| Railroad company..... | 326.86 | ..... | 8.80 | .34 | 4.40 | ..... | 4.06 | ..... | 1,194 |
| Anniston, Ala., to Washington, D. C.: | | | | | | | | | |
| Post Office Department. | 748.20 | 1.28 | ..... | 1.01 | .64 | .37 | ..... | 57 | ..... |
| Railroad company..... | 748.20 | ..... | 9.20 | 1.01 | 4.60 | ..... | 3.59 | ..... | 355 |
| Asheville, N. C., to Washington, D. C.: | | | | | | | | | |
| Post Office Department. | 476.17 | 1.00 | ..... | .79 | .50 | .29 | ..... | 58 | ..... |
| Railroad company..... | 476.17 | ..... | 8.80 | .79 | 4.40 | ..... | 3.61 | ..... | 457 |
| Ashland, Ky., to Cincinnati, Ohio: | | | | | | | | | |
| Post Office Department. | 145.71 | .58 | ..... | .22 | .29 | ..... | .07 | ..... | 31 |
| Railroad company..... | 145.71 | ..... | 8.40 | .22 | 4.20 | ..... | 3.98 | ..... | 1,809 |
| Buffalo, N. Y., to Boston, Mass.: | | | | | | | | | |
| Post Office Department. | 496.90 | .76 | ..... | .55 | .38 | .17 | ..... | 45 | ..... |
| Railroad company..... | 496.90 | ..... | 8.80 | .55 | 4.40 | ..... | 3.85 | ..... | 700 |
| Burlington, Vt., to Boston, Mass.: | | | | | | | | | |
| Post Office Department. | 247.30 | .58 | ..... | .61 | .29 | .32 | ..... | 110 | ..... |
| Railroad company..... | 247.30 | ..... | 8.40 | .61 | 4.20 | ..... | 3.59 | ..... | 589 |
| Burlington, Iowa, to Chicago, Ill.: | | | | | | | | | |
| Post Office Department. | 205.57 | .62 | ..... | .23 | .31 | ..... | .08 | ..... | 35 |
| Railroad company..... | 205.57 | ..... | 8.80 | .23 | 4.40 | ..... | 4.17 | ..... | 1,813 |
| Cedar Rapids, Iowa, to Chicago, Ill.: | | | | | | | | | |
| Post Office Department. | 218.30 | .62 | ..... | .28 | .31 | ..... | .03 | ..... | 11 |
| Railroad company..... | 218.30 | ..... | 8.80 | .28 | 4.40 | ..... | 4.12 | ..... | 1,471 |
| Charleston, W. Va., to Washington, D. C.: | | | | | | | | | |
| Post Office Department. | 387.71 | .82 | ..... | .58 | .41 | .17 | ..... | 41 | ..... |
| Railroad company..... | 387.71 | ..... | 8.80 | .58 | 4.40 | ..... | 3.82 | ..... | 659 |
| Chattanooga, Tenn., to Cincinnati, Ohio: | | | | | | | | | |
| Post Office Department. | 338.15 | .86 | ..... | .56 | .43 | .13 | ..... | 30 | ..... |
| Railroad company..... | 338.15 | ..... | 8.80 | .56 | 4.40 | ..... | 3.84 | ..... | 686 |

*Comparison of express and mail rates per 40 pounds*—Continued.

| | Length of mail routes. | First-class express rate for one 40-pound package. | First-class express rate for forty 1-pound packages. | Mail rate. | 50 per cent of express rate. | Excess of mail rate over 50 per cent of express rate. | Excess of 50 per cent of express rate over mail rate. | Per cent of excess of mail rate over 50 per cent of express rate. | Per cent of excess of 50 per cent of express rate over mail rate. |
|---|---|---|---|---|---|---|---|---|---|
| Chicago, Ill., to Boston, Mass.: | | | | | | | | | |
| Post Office Department. | 1,019.18 | $1.12 | ..... | $1.12 | $0.56 | $0.56 | ..... | 100 | ..... |
| Railroad company..... | 1,019.18 | ..... | $9.20 | 1.12 | 4.60 | ..... | $3.48 | ..... | 311 |
| Chicago, Ill., to Kansas City, Mo.: | | | | | | | | | |
| Post Office Department. | 454.00 | .96 | ..... | .61 | .48 | .13 | ..... | 27 | ..... |
| Railroad company..... | 454.00 | ..... | 8.80 | .61 | 4.40 | ..... | 3.79 | ..... | 621 |
| Chicago, Ill., to Milwaukee, Wis.: | | | | | | | | | |
| Post Office Department. | 85.00 | .48 | ..... | .12 | .24 | ..... | .12 | ..... | 100 |
| Railroad company..... | 85.00 | ..... | 8.40 | .12 | 4.20 | ..... | 4.08 | ..... | 3,400 |
| Chicago, Ill., to Minneapolis, Minn.: | | | | | | | | | |
| Post Office Department. | 423.79 | .92 | ..... | .48 | .46 | .02 | ..... | 4 | ..... |
| Railroad company..... | 423.79 | ..... | 8.80 | .48 | 4.40 | ..... | 3.92 | ..... | 816 |

Now, neither of these calculations would give a fair idea to your committee of this subject, because the truth is somewhere between the two extremes, but we do not feel required to submit an apology for stating the maximum earnings when it seems to be necessary to illustrate the unfairness of the Post Office Department in making their comparison on the minimum earnings.

*The importance of the average haul.*—The Interstate Commerce Commission has attributed to the average express package a haul of about 200 miles. The Post Office Department has asserted that the average haul of mail, including equipment, is about 620 miles. If these estimates are accepted it must be assumed that the radial activity of the mail traffic is three times as great as the express traffic.

It would also have to be borne in mind that the express rates prescribed by the Interstate Commerce Commission start with 21 cents for the first pound and then go through a process of declension according to increasing weight and increasing distance. It is easily demonstrable that the return received by the railroad company from an express package weighing 1 pound is at a higher ton rate than the revenue received from the mail even for a transcontinental haul.

It is also easily demonstrable that the railroad company receives for an express package of 100 pounds a higher rate than from the mail on a haul of over 100 miles, but we are not able to say at what weight and at what distance the neutral point would occur as between the express traffic and the mail traffic. This would require a long and intricate investigation, and even after it was made it would still be necessary to make allowances between the two services by appraising the differences in the contractual relations and operating conditions already alluded to.

However, it should not escape notice that in the list of specific shipments quoted by the Post Office Department on pages 1272–1276 only two are under 100 miles, while 112 are over 100 miles; also

that 93 of the instances are over 200 miles as compared with 21 instances under 200 miles.

We may conclude the statement by remarking that if the railroads receive 50 per cent of the gross postal revenue as they do of the express companies, the amount of railway-mail pay for the year 1913 would have been $133,000,000 instead of $51,466,000. Instead of getting 50 per cent of the postal revenues the railroads receive only about 19 per cent.

### THE SPACE BASIS.

In connection with the very ample testimony already submitted by the railroads relating to the unavoidable complexities and causes of irritation that would be inherent in the department's proposal that the pay be adjusted on the basis of car space authorized, we deem it important to call your attention to two or three facts:

First. Those who have previously investigated the subject and concluded that space rather than weight would be a fairer basis were either unaware or unfamiliar with the administrative difficulties that would be encountered in connection with any space basis of pay.

Second. The Elmer, Thompson, and Slater committee, composed of high officers of the Post Office Department, recommended the space basis, but were careful to insist that for the protection of the Government it must be coupled with a prescribed average weight to justify a certain amount of space.

Third. None of the previous investigators who reached a conclusion in favor of the space basis could have had in contemplation the present condition of the Parcel Post Service that already deals with packages weighing as much as 50 pounds, with intimations of still further increase in the weight limit, thus placing the Post Office Department in competition with the railroad companies and the express companies in the transportation business.

Any law fixing rates and terms on a space basis would leave the measure of pay for transportation to be interpreted by the Post Office Department according to the discretion it must necessarily have as to the amount of space it would authorize, and this power, coupled with the power already held to increase the weight limit indefinitely and to lower rates indefinitely, would make it impossible for the railroads to secure a compensatory basis of pay except at the pleasure of the department.

It is proper to call the attention of the joint committee to the injustice of a space basis to the heavy traffic routes on which mail is largely handled in expedited fast mail trains. These trains are costly to operate, conduct a heavier load of mail in generally heavier cars, at faster speed than the average transportation, and the proposed space pay would be so inadequate as to make the operation of these trains very unattractive. There are 40 mail routes in the United States handling 56 per cent of the ton-mileage of mail, for which service these routes would receive on a space basis only about 34 per cent of the compensation, receiving no more per car-mile than lighter traffic routes, although the average load per car on the 40 heavy traffic routes is two and one-half times as great as on other routes.

A space basis is not only unjust to the larger roads, but is unfair to the railways as a whole in denying to them the privilege of some

return from operating economies due to the larger car loading, all of which would inure to the Government. Under the present law the benefits of heavier car loading would be shared by both—the railroads receiving more pay for the increased tonnage, but performing the service at a decreased ton-mile rate. Under a space basis for payment the railroads would be limited to a fixed revenue per car-mile, regardless of tonnage and the extent to which the Post Office Department might enlarge the weight limit of the parcel post and load cars with 15 to 20 tons each without additional compensation to the railroads. A future situation might even be imagined under which carload traffic might be handled in this way on passenger trains at rates per ton-mile no higher than ordinary freight rates.

The cost of operating a train-mile in the last 20 years has increased 50 per cent. To meet these advancing costs of labor and material the railways are justly entitled to a fair share of the greater revenues per car-mile unit that may result through better loading. The space basis not only denies this but actually imposes some added cost due to the greater tonnage carried. Had a space plan applied, for example, to freight transportation, it is safe to say that the advancing operating costs would have long ago forced most of the roads into financial ruin through prohibiting the greater earnings they have received per train-mile unit through heavier loading.

In conclusion, we believe that your committee in deciding this question, which is really one between the citizens who ship traffic through the medium of the Post Office Department and the citizens who carry the traffic through the medium of the railroads, will not be concerned as to the personal feelings of those who have conducted this debate on the one side or the other, but will render its judgment in accordance with the best interests and the abiding interests of the American people.

Senator WEEKS. How much more does it cost to run a train at the rate of 60 miles an hour than 30 miles an hour?

Mr. PETERS. I do not think anyone has attempted to work out that proposition so that it would be commonly talked about and familiar to all hands. I know that the Pennsylvania Railroad has its test plant at Altoona, and there are other testing plants at some of the universities where they get the cost of the locomotive-mile on different speeds. I can not answer the question, however.

Senator WEEKS. What would be the difference in cost in fuel, do you know?

Mr. PETERS. I am not familiar enough with that question to answer.

Senator WEEKS. That is definitely worked out in case of ships?

Mr. PETERS. Yes; I think they have worked it out also at Altoona.

Mr. WORTHINGTON. Mr. Delano presented some figures as to that in a former hearing before the Loud commission showing very large increases in fuel consumption as speed per hour increases. That principle is recognized in passenger transportation in the excess fares that are charged on fast passenger trains, for example, between New York and Chicago.

Senator WEEKS. But I supposed there was a definite basis to justify that increase; that it had been worked out definitely so that someone would know the difference in cost?

Mr. WORTHINGTON. The increase in cost relates not alone to the train itself, but to delay to other trains, for naturally the fastest train must be given preference and other trains are sidetracked for it.

Mr. PETERS. I see that we gave a statement on pages 642 and 643 of the record, volume 5, which shows the increase in resistance per car, from records taken at Altoona testing plant, of the 40-ton car and 60-ton car and the different speeds, and it shows the increase for steel over a wooden car; that is, the increased resistance. An increase in resistance necessarily means an increase in cost.

Senator WEEKS. What did Prof. Buck, of the engineering school of the University of Illinois, testify to relative to increased fuel consumption?

Dr. LORENZ. This was a letter to the chairman of this commission. He discussed in a general way the effect of increasing speed on cost of operation. He discussed it under various heads, one of which is the cost of fuel, and he concludes that discussion with this statement: "With modern fast passenger engines, it is quite possible to have the coal consumption doubled by an increase of speed from 60 miles per hour to 70 miles per hour." That is volume 6, page 896.

Senator WEEKS. What I am trying to get at is when a railroad furnishes a better and faster service, how much more is it costing the railroad to perform that service? Of course it would be difficult to give definite figures, but it is a material increase.

Mr. PETERS. It would be a mere guess on my part for I have not attempted to analyze in that direction. I have not been brought up against that particular development of the traffic question.

Senator WEEKS. What surprises me is that railroad men do not know all these questions and have not carefully determined what it costs to run a passenger train.

Mr. Peters. I think they have worked that proposition out somewhere, but I am not able to answer offhand.

Mr. WORTHINGTON. I would like to remark, if I might, that fast passenger train service requires a very much higher standard of track maintenance than slower trains. It requires heavier rails, better ballasted road bed, and the risk of accident is tremendously increased as the speed is increased, also all other classes of traffic are interrupted, more or less, and delayed through giving way to the faster trains.

Senator WEEKS. Dr. Lorenz, has the Interstate Commerce Commission given consideration to the question of cost of operating trains, and have they arrived at any conclusions?

Dr. LORENZ. Yes, sir. Many years ago they published in their annual report the cost of operating a passenger train a mile and the cost of operating a freight train a mile, but they abandoned that at the time when Prof. Adams, who has been mentioned here to-day, was conducting the department's statistics. Recently, however, the commission has again taken an interest in the subject. In the interim practically nothing was done by the commission in that direction, except as it might have come up in some particular case in the exhibits. The commission has recently issued a tentative order providing for separation of expense between passenger and freight service, which order will come up for hearing at the end of this

month, so that you might say that the commission in the past has done practically nothing along that line but have been making strenuous efforts to get the railroads to cooperate. As a matter of fact, the railroads on many lines have done considerable work of that kind. We find that in the manufacturing industry, generally, there is much less hesitancy to speak of the value of that kind of work, namely, cost accounting. I think one reason why the railroads have not developed to the same extent the manufacturing companies have is the fact that the fixing of rates has not been on theories which required a knowledge of the cost; in other words, the traffic officer naturally wished to get as high rates as he possibly could in order to move the traffic, and he did not need to know the cost except to know a minimum cost, and we find that the cost statistics developed by the railroads are very largely by operating officials who used them to gauge efficiency of operation rather than actual cost of performing the final service. With the growth of public regulation, the making of rates according to what the traffic would bear, is no longer an entirely satisfactory principle, because there seems to be a greater necessity for finding out exactly what it does cost to render a particular service to the public.

Senator WEEKS. I should suppose the commission and the railroads would attempt to work that out very definitely. That has been done in water transportation, and certainly the speed with which that transportation is performed should be taken into consideration in fixing a rate. I have just had my attention called to that matter in connection with a resolution which I introduced providing for mail service to South America to run scout cruisers of the Navy at a 20-knot speed. The cost is twice as great as to run them at a 15-knot speed. The same general consideration must bear relatively in train transportation, I should think.

Mr. PETERS. There are so many elements that enter into a question of that kind—the question of grades, the question of stopping and starting, the reduction of speed through crowded communities, and so on—that it has been very difficult to work up any general rules on the question. I think one of the great objections that the railroads have had in the past to going into a detailed separation of all expenses at the point of origin was the large expense involved in getting at the information and the difficulties of keeping those records, and as to what was the value of them after we got them. It would not justify the expense, in other words. In many cases, as Dr. Lorenz states, the rates were made or based on what the traffic would bear. The railroads in the past, in developing this country and in developing traffic, especially on new lines, have had to make rates that would move and build up the traffic, as, for instance, the rates on grain from the far West into the interior, such as wheat from Oregon and Washington and lumber from that territory. Those rates were very low and were made at a time when there was a preponderance of the merchandise movement from distributing centers in the Middle West to the Pacific coast, the movement was westward bound, and they wanted something to load eastbound. Consequently they made low rates on wheat, but it was in order to move the traffic. There are many cases where rates are made that way in order to develop and build up, so that we have a system of rates all over the country made up, in some cases, to meet water competition, in others

to meet commercial center competition, and in others to meet competition between different roads that could in roundabout ways meet the conditions. Another reason: A railroad may be very active in securing business. A town or community may be inviting factories to come there. In such case the railroads would cooperate in order to help out, build up, and develop such town or community.

Now, you have the commission studying all those things, working them out, and getting rates to reasonable points. They have to build up some rates as well as cut down others, and we are going through that process; but you see the result to-day, the railroads are suffering and the country is suffering because our hands are tied so tight.

The CHAIRMAN. Is it not true that it is much easier to get the cost on a manufacturing business than on a transportation business?

Dr. LORENZ. I should say generally that would be true where the product is relatively simple; but I think there are manufacturing enterprises where the product is complicated.

The CHAIRMAN. But, taking business as a whole—generically—manufacturing and transportation business?

Dr. LORENZ. I should say it would be more localized to a different product which is usually produced by a unit of a plant, so that I think it is true that it is easier to develop cost in manufacturing than in railroad transportation. However, I do not think that the difference is so great as to prohibit the railroads from approximating that information.

The CHAIRMAN. Do you believe it is possible at all to work out an absolutely correct estimate of cost in transportation without the adoption of a large amount of arbitrary percentages?

Dr. LORENZ. You could not call the result absolutely accurate; no, sir. For that matter, you could not do so in the manufacturing business either.

The CHAIRMAN. You can in some manufacturing businesses, or practically so, can you not?

Dr. LORENZ. It depends on the manufacturing business. With regard to the railroad industry, for example, the average cost of operating a freight train or a freight car a mile on a particular road can be ascertained with such degree of accuracy that you can make it the basis of rates.

The CHAIRMAN. In your opinion, would the value of such information be commensurate with the cost of ascertainment?

Dr. LORENZ. I think a method can be devised which would not be prohibitive as to cost.

The CHAIRMAN. Just the initial cost?

Dr. LORENZ. Yes. There are various degrees of cost accounting. The tendency is to run to extremes and get everything down to a fine point, but I think a system which would be useful could be devised and still not be prohibitive on account of cost.

Mr. SCOTT. Mr. Chairman, I dislike to talk about such a complicated proposition as the cost of fuel on a fast passenger train, for I think if you were to ask 25 experts to come here and give you an opinion, you would probably get 25 different opinions in regard to it. I only offer this suggestion to show one of the difficulties. It is pretty nearly universal that railroad companies run locomotives first in and first out; for instance, take one of our passenger engines that we run on the 20-hour train between New York and Chicago. From

Pittsburgh to Crestline, west bound, it would make no stops between those points and would run at a high rate of speed. When the engine leaves Pittsburgh it has a tank full of coal and when it gets to Crestline that tank of coal is not exhausted, but it comes back possibly on a train that will make every stop between Crestline and Pittsburgh. We put some additional coal on at Crestline and you see the difficulty of attempting to keep a separate account of the coal consumption. It is not like a steam vessel, where the steam engine is performing the same kind of service every day. I do not know whether I have enlightened you on the subject or not.

Mr. WORTHINGTON. While I think it would be possible to make an accurate estimate of the difference in fuel consumption at different speeds per hour on any individual road, that comparison would not be of any value when compared with another road operating under different circumstances. For example, we operate passenger trains over the Sierra Nevada mountains up 2.2 per cent grades at a speed of 25 miles an hour, where the fuel consumption per mile is very much larger than trains operated on level roads in the East at the rate of 50 miles an hour. It is necessary to use Mallet locomotives on those trains, the Mallets being practically double locomotives, where the fuel consumption is very large. Therefore, any rule that might be fixed for equating the cost according to speed would not apply to all roads alike.

The CHAIRMAN. The value of the information as to cost ascertainment would depend entirely on the rule adopted in the way of rate making, would it not?

Dr. LORENZ. Yes, sir. I think it is desirable to have a rule adopted independent of any case or investigation, which rule should be, you might say, prescribed by a commission or some other body.

The CHAIRMAN. Would not the value be whether cost was to be given the greater weight in the determination of the rate charged by the commission or by congressional law or whether capital invested in the operation was to be given the greater weight?

Dr. LORENZ. The value would depend on how much you would take cost into consideration, but both commissions and courts have said with perfect definiteness that cost is one of the elements that you must consider. If that is one of the elements which you must consider, obviously you can not consider them until you know it and therefore you must ascertain it before you can consider it.

The CHAIRMAN. Why have the commission and courts come to that conclusion? Because of construction of laws enacted by Congress?

Dr. LORENZ. Because, so far as I can see it, they could not discover any other basis on which to arrive at any conclusion as to fairness of a general level of freight or passenger rates.

The CHAIRMAN. Have either the commission or courts determined as to what percentage of weight in any rule that might be adopted in rate making should be given to cost as compared with the capital invested?

Dr. LORENZ. I think it is practically the dominant consideration when you are considering the general level of rates; for example, the courts in their decision as to whether the 2-cent law is confiscatory or not have tried to discover what the cost of the passenger service is, whether it yields a percentage on the capital devoted to that service,

and that is the consideration in determining the fairness of the 2-cent passenger law.

The CHAIRMAN. Disregarding the capital invested?

Dr. LORENZ. Oh, no.

The CHAIRMAN. The cost takes into consideration an allowance on the capital invested?

Dr. LORENZ. Yes.

Mr. WORTHINGTON. My impression of the decision of the Supreme Court was that cost was simply to be considered as one of the elements, others to be the value of the service, the return on the investment, and I think some other elements, but cost was simply one to be considered.

Dr. LORENZ. I think that is true with respect to particular rates, but when you are talking generally, say, passenger rates, I do not know whether it would be so construed.

Mr. BASKERVILLE. When trains are operated at a high rate of speed, the atmosphere, the wind, and all such matters control. A train operated at 60 miles an hour against a 20-mile wind is operated at a greater cost than one operated at 60 miles an hour against no wind.

Mr. PEABODY. Mr. Chairman, I have a statement somewhat in line with that of Mr. Peters which I would like to present.

The CHAIRMAN. We will be glad to have you submit it now.

## STATEMENT OF MR. JAMES PEABODY.

Mr. PEABODY. Considerable has been said this morning in reference to Prof. Henry C. Adams's position as to the division of expense between freight and passenger trains. It should be borne in mind that the objection of Prof. Adams, he being a professional statistician, is that it is not possible to get exact figures in such a division. Prof. Adams does not object, I think, to the proposition that it is possible to get approximate figures which in the opinion of very many people will serve, so far as their usefulness in connection with railway matters is concerned, as good a purpose as if the figures were exact, and his objection to the division should always have that in mind.

The major portion of the statement presented by the Second Assistant Postmaster General at the hearing before the committee last week (March 24) depends for its probative force primarily upon the assumption that the method employed by the Post Office Department for determining, first, the cost to the railways of performing the passenger service; and, second, the proportion of the passenger-train space properly assignable to the mail service, are correct. If these assumptions are faulty, then his argument falls, and that such is the case seems to be easily demonstrable.

First. As to the basis of apportionment of costs employed by the Post Office Department.

It is well understood by those who are at all familiar with this subject that the main difficulty in dividing railroad expenses between the freight and passenger service is in connection with what are known as the maintenance of way accounts, and this for two reasons, first, that both the freight and passenger service utilize the same facilities; and, second, that the larger part of such maintenance expense is due to the action of the elements, or as it is termed "weather stress."

which is wholly independent of either service. What is the relative proportion of the maintenance cost incident to weather stress on the one hand and use on the other is absolutely indeterminable with accuracy, but in connection with these two elements the Post Office Department has made the following apportionment:

| | Proportion due to use. | Proportion due to weather. |
|---|---|---|
| | *Per cent.* | *Per cent.* |
| Ballast | 10 | 90 |
| Ties | 33⅓ | 66⅔ |
| Rails and other track material | 100 | ..... |
| Roadway and track | 10 | 90 |
| Terminals | 10 | 90 |
| Bridges, trestles, and culverts | 10 | 90 |
| Signals and interlocking plants | 100 | ..... |
| Roadway, tools, and supplies | 10 | 90 |

These items, which constitute upward of 70 per cent of the total charges to maintenance, are then apportioned to freight and passenger as follows: The "use" proportion on respective revenue train mileage and "weather stress" proportion on basis of direct charge accounts. Why a different basis should have been selected for apportioning these items, unless a predetermined result was to be reached, is past comprehension. The natural as well as logical method of apportionment of these expenses would have been to let the portion allotted to "weather stress" follow that employed for dividing the expenses assigned account of "use," which was the revenue train-mile.

By adopting the revenue train-mile basis as the proper one to be employed in distributing expenses in connection with that portion of the maintenance expense due to "use," the department appears to be at variance with the Second Assistant Postmaster General, who seems to consider that basis as erroneous for any purpose and wholly unworthy of credence. Other people also differ with him. In his argument (p. 1256) he quoted from a paper written by Interstate Commerce Commissioner Meyer. This quotation he used had no direct reference to revenue train mileage as a basis of apportionment, but in the preceding paragraph of this same paper Commissioner Meyer did refer to this subject. He said:

> The railways themselves have made limited application of the principles of cost accounting to more than one-half of the railway mileage in the United States. They declare, however, that this has been done for internal corporate administrative purposes rather than just and reasonable rates. The difficulties of separating operating expenses among the various branches of the railway business are as apparent as the benefits of the final results are clear to those who are willing to undertake the task. It is perfectly obvious that controversy respecting the apportionment of maintenance of way items, for instance, can never end. Is this, however, sufficient reason for refraining from undertaking a work which is so promising in beneficial results? There exists surprising similarity in the methods employed by different railway companies in apportioning certain common or overhead expenses. This similarity appears to have been brought about without previous conference and agreement, and is apparently the result of similar conclusions arrived at by men working at the same problem independently of one another.

There can be no better evidence that the revenue train mileage is at least a defensible method of distributing maintenance of way expenses than that so many experienced men in all parts of the country,

seeking only to ascertain the facts and with no ulterior purpose in view, are in agreement upon it, while the method adopted by the department finds practically no advocates. Further than this, many railroads have gone into court using the revenue train-mile basis of apportionment for many of the so-called items of "common expense" in both freight and passenger cases, thus evidencing their confidence in its approximate accuracy, and up to date no court has found against it.

I want to observe right here that the railroads have taken their cost into court on the basis of expenses and have used exactly the same division, whether passenger or freight case. If they had loaded either one they would have been rather loath to use it in the other. The Sante Fe, in many cases, has taken their division into court, using exactly the same basis in each case.

The CHAIRMAN. What has been the attitude of the courts, principally, on such division by the Santa Fe?

Mr. PEABODY. The lower courts and the circuit courts have accepted that division and made their decisions upon it. The Supreme Court has not passed upon that as to the division between passenger and freight. The Supreme Court did object to the methods used by the so-called experts testifying as to the difference in the cost of State and interstate business, respectively, that being a matter of opinion, and they said that could be ascertained upon the use basis to some extent and which therefore should be employed, but they have not questioned the division made by the railroads between freight and passenger.

Mr. STEWART. If you will allow me to suggest right here, the court decisions in those cases were based upon the fact that there was no better plan presented to them. The decisions clearly indicate that there was arrayed against one single man, who did present another plan, all the experts of the railroad companies, and the courts virtually said that the weight of evidence was in favor of the railroad plan. In regard to what Mr. Meyer has said, do you recall the very next sentence, which you did not quote?

Mr. PEABODY. That is your quotation?

Mr. STEWART. No. There is one sentence in Mr. Meyer's statement that followed what you quote, and, as I recall it, it is to this effect: That notwithstanding this unanimity of practice, that was not any special reason why it should be adopted. That followed immediately the quotation which you gave with regard to the similarity among railroad accountants in the method used in dividing unassigned expenses.

Mr. PEABODY. Have you the paper?

Mr. STEWART. I have it at the office. Mr. Meyer says, as I recall it, that even though this be true, it is not specially conclusive that such method should be adopted.

Mr. PEABODY. So far as your statement regarding the court is concerned, with relation to the Santa Fe cases, I will say that there was no such conclusion of the court. Mr. Justice Sanborn, in the Minnesota case, adopted that basis as the basis of his decision. Judge Hook, in the Oklahoma case, adopted it as the basis of his decision, and Judge McPherson, in the Missouri case, adopted it as his decision.

Mr. STEWART. On that point I refer to pages 1010, 1011, and 1012 of the hearings, volume 7, in which the decisions of those courts are quoted.

Mr. WORTHINGTON. In the Minnesota case the decision of the Supreme Court was practically to the effect that the division of expenses between passenger and freight and State and interstate should be on the basis of use of the property for the respective classes of service. I can not imagine any better use of the property than train mileage.

Mr. PEABODY. And the cases were sent back for development on that proposition. I will say that the western roads concerned in the Oklahoma case have been having a very elaborate test, covering a period in Oklahoma of five months, for the purpose of ascertaining the division of expenses on the basis of use. I put a man on every train we had in Oklahoma and in Missouri, and also in Arizona, because we have a State case there. I have every element of traffic separated in the report which I obtained. We are now working up that data, and we propose to submit a statement of cost on the basis of use as suggested by the Supreme Court in the Oklahoma case, which will come up this succeeding month.

Mr. WORTHINGTON. That basis of use simply follows the decision in the Minnesota case.

Mr. PEABODY. Yes.

Mr. LLOYD. Do you aim to make Judge McPherson's decision an authority, or Judge Sanborn's decision?

Mr. PEABODY. I am not quoting either as authority. I am simply stating the facts.

The CHAIRMAN. You may proceed, Mr. Peabody.

Mr. PEABODY. Another and perhaps most striking illustration of the unwarranted methods employed by the Post Office Department is found in its apportionment of steam-locomotive repairs, renewals, and depreciation, one of the largest items of expenditure and which, in the year embracing the figures under consideration amounted to upward of $150,000,000. The usual, and in fact almost universal, basis of apportionment for these accounts is the respective locomotive freight and passenger mileage—that is to say, the miles run in each service. So self-evident is it that this is the proper basis that the Interstate Commerce Commission, in its proposed "tentative plan for the division of operating expenses between freight and passenger services," has suggested it in the following terms:

*Steam locomotives, repairs.*—A record should be kept of the repairs of each locomotive, apportioning to the freight service and to the passenger service according to the miles run in each service by the individual locomotive. Running repairs should be apportioned on the basis of the mileage of each month and general or shop repairs on the basis of the mileage made by the individual locomotive since last general repairs. The mileage made by locomotives in mixed-train service shall be apportioned monthly between freight and passenger services on each operating division according to the total mileage made thereon by freight and passenger cars in such trains. Repairs to locomotives engaged in yard switching for both freight and passenger services shall be divided in accordance with the assignment of yard switching locomotive miles made in accordance with the rules governing the classification of train-miles, car-miles, and locomotive-miles.

*Steam locomotives, depreciation and retirements.*—Assign directly as far as possible. Apportion the remainder in accordance with the freight and passenger proportions in the whole of account No. 308. (Steam-locomotive repairs.)

This basis, however, did not appear to suit the purposes of the Post Office Department. The formula it uses reads as follows:

> Steam locomotives, repairs; steam locomotives, renewals; steam locomotives, depreciation; electric locomotives, repairs; electric locomotives, renewals; electric locomotives, depreciation. The above six accounts were divided on the basis of the ratios of the direct-charge accounts, but excluding the direct charge accounts for station service—i. e., account 63, station employees, and account 66, station supplies and expenses. It was found that the locomotive mileage, although used by some companies as a basis for apportionment of these accounts, was too high for the passenger traffic and was in many cases unobtainable. The train mileage was higher for passenger service than the locomotive mileage, and the car mileage or cost of car repairs was too low a basis for division when the passenger traffic was considered. The direct-charge basis of separation exclusive of the accounts for station service seems a just and equitable one.

This statement has at least the merit of frankness, but it is difficult to perceive any other advantages attaching to it except that it serves to contribute to a desired result.

One other example of the unreliable character of the department's figures will suffice. It is found in connection with accounts 67 to 78, yard accounts; 80 to 85, engine accounts, and 88 to 93, train-service accounts. These accounts are very large, embracing about 70 per cent of the total transportation expenses. These accounts are by the department divided on locomotive mileage when the data are available, but in the absence of such figures revenue train mileage—that obnoxious basis, which is held by the Second Assistant Postmaster General to be wholly indefensible—was used. In this connection it may be said that as applied to some of these accounts he is correct. To apportion yard expenses upon either the locomotive mileage or train mileage is absurd. It is only necessary to read the formula used by the department to make it plain to any student of the problem that the Post Office Department plan, under which it is declared (Doc. 105, p. 3) "possible for the first time to determine the total expense chargeable to the mail service," is a conglomeration of expedients alike unsound in theory, illogical in application, and erroneous in result.

In his determination of the space allotted to the mail service, the Second Assistant Postmaster General is equally unfortunate. He compiles a large amount of car-foot miles under the title of dead space which, although necessarily furnished by the railroads, were not, he claims, used by the mails; and he not only deducts such compiled figures from the car-foot miles allotted by the railroads to the mail service, but adds same to the car-foot miles allotted to the passenger service. This dead space was necessary to the proper handling of the mails, although the mails may not have actually occupied same; just as necessary as the dead space in the passenger coaches was to the operation of the passenger traffic. If only the actually occupied space was to be allowed for the mails, then as a corresponding factor the actually occupied space in the passenger coaches and express cars should have been employed in order to determine the relative car-foot miles used in each service, and the cost of operation divided on the ratio thus ascertained. There is no element of fairness in taking out the dead space in one case and leaving it in the other, to say nothing of adding the excluded space in the mail service to the included space in the passenger service. I venture to assert

that, on the basis of the relative space of the trains actually occupied in the respective services, the mail service would be charged with a much greater proportion than is claimed by the railroads. It must be apparent, therefore, that, inasmuch as the assumptions upon which the arguments of the Second Assistant Postmaster General are predicated are indefensible, his conclusions are equally unsound.

The statement submitted by the Second Assistant Postmaster General at the same hearing, as to comparative express and mail rates, is also wholly misleading. In the first place, the average length of the routes selected are much in excess of the average length of haul of the express, and in the second place 100 pounds of express is measured as a single shipment against 100 pounds of mail, whereas on the average it is made up of several shipments, each taking an undivided rate, while the mail rate is applied to 100 pounds in the aggregate. The average weight of all express shipments, as published by the Interstate Commerce Commission (First Annual Report of the Statistics of Express Companies in the United States, p. 18), is 32.8 pounds, while the average weight per shipment of the five large express companies on October 23, 1912, was 39.81 pounds. The average weight per shipment of merchandise, which is more nearly analagous to mail matter, was on the same date 29.54 pounds. It is manifest, therefore, the correct basis of comparison is to consolidate the charges accruing upon 100 pounds of the average merchandise shipments for a given distance and compare same with the pay for 100 pounds of mail for the same distance.

The average haul of the Adams Express Co., shown in I. C. C. decision in the express-rate cases of the United States and Adams Express case (pp. 501, 502), was 169.24 miles, and for the United States Express Co. was 234.96 miles. Two tables have been prepared embracing all the routes shown by the Second Assistant Postmaster General in his statement—one carrying all distances between 100 and 200 miles, as corresponding with the average distance hauled by the Adams Express Co., and the others including all routes from 200 to 300 miles, as equivalent to the average haul of the United States Express Co. Three shipments of express, consisting of 30, 30, and 40 pounds, have been taken as representing the average shipments making up 100 pounds, and the rates computed thereon in order to show the average express revenue per 100 pounds. The express revenue thus formed was then divided in half to show the railroad proportion and set down opposite the rate of mail pay.

It will be observed that this makes a very different showing from that submitted by the Second Assistant Postmaster General, and that only in a very few cases is the mail pay higher than the express revenue, and in nearly every one of such cases the distance covered in the rate is above the average haul, or else the pay on two short mail routes here have been united, thereby making a much higher rate for the whole distance than is applicable to any single mail route, and which is not comparable to the express revenue, that being computed for the entire distance at a single rate.

Take two short mail routes and put them together for a distance; it will make a higher rate than the express rate.

Mr. WORTHINGTON. But your 100 pounds does not include any light shipments at all for express.

Mr. PEABODY. No; no light shipments for the express. It is taken as representing the average merchandise shipment.

Mr. WORTHINGTON. In other words, it takes as to express three shipments of about 30 pounds or a little over?

Mr. PEABODY. Yes; 30, 30, and 40.

Mr. WORTHINGTON. But as to mails, it takes all the light shipments which are included in the mail and parcel post?

Mr. PEABODY. Yes.

Mr. WORTHINGTON. The point I wanted to bring out is that including the light shipments, such as were handled in the parcel post, the return given by Mr. Peabody would be larger than he has shown there.

Mr. PEABODY. Of course, if that was made up of many packages the rates would be much higher, but I was just taking three shipments which were fairly representative of the average shipments and uniting them to make a 100-pound revenue.

Mr. LLOYD. Let me interrupt you at this point. What kind of an arrangement is made with the express companies where in transmitting the parcel it passes through the hands of two different express companies and over two different railroads?

Mr. PEABODY. So far as the railroad part of it is concerned, the express companies handle it at the station themselves.

Mr. LLOYD. I mean how do the railroad companies divide their share of the profits? Where is the division among the express companies?

Mr. PEABODY. I do not know what the division amongst the express companies is. The division among the railroad companies is a contractual rate on the earnings that are made by the express companies, or their haul, whatever that may be.

Mr. SNEAD. Where it is handled by two express companies the delivering express company reports the waybill to the originating company and those two companies divide the total revenue on a pro rata basis. The express companies will settle with their own railroad company according to their contract, under the rate prorate of what it gets or under a mileage pro rata; that is, the entire distance hauled on both lines divided between the two companies.

Mr. LLOYD. Does the railroad company over which the express package is carried in that event get 50 per cent?

Mr. SNEAD. Yes, sir.

Mr. PEABODY. It may be 55 per cent.

Mr. LLOYD. We are just accepting that as the rate.

Mr. BASKERVILLE. It is sometimes carried by one company for another on a tonnage basis. For instance, the Wells Fargo Co. will deliver to the Great Northern Express Co. at St. Paul Portland matter on a tonnage basis. I do not know how much it is, but it is arranged on a tonnage basis.

Mr. CONNOLLY. There is something of a similar arrangement on the Lackawanna and the New York Central. The Lackawanna has an individual contract with the United States Express Co., and, due to its inability to deliver beyond Buffalo, it goes in tonnage lots over the Lake Shore Railroad to Chicago.

Mr. STEWART. I wish to call attention to the fact that two representatives here have specifically stated that the railroads carry ex-

press matter on a tonnage basis, yet Mr. Peabody is presenting his statistics upon packages of 30 and 40 pounds.

Mr. BASKERVILLE. He stated it was between different companies.

Mr. WORTHINGTON. It is my understanding the railroads do not carry this on a tonnage or pro rata basis. They simply receive one-half of the total express earnings accruing to their railroad. They do not get any proportion of any particular rate but receive a percentage on the entire business handled over that road.

Mr. SNEAD. I think Mr. Stewart misunderstood Mr. Baskerville. What he meant was that one express company would carry business on a tonnage basis for another express company, but that is not done except under exceptional circumstances where, by reason of the fact that one express company has a very circuitous route between two points, it will arrange with another express company having a direct route to handle that business for it and under an agreed basis it will pay them so much per hundred pounds to handle that matter.

Mr. STEWART. What I want to call attention to is the great discrepancy between the facts as they exist and the examples that are being given by Mr. Peabody. Mail is not presented to the railroad companies in 30-pound packages under any circumstances, and therefore the example of a 30-pound package is not at all a fair comparison. Now, we learn that the railroads have relations with each other in which they are actually paid on a tonnage basis.

The CHAIRMAN. No. That is between express companies exchanging business.

Mr. WORTHINGTON. The express company apportions its revenues according to the individual road over which it does business and it pays each road according to its contract, say, 50 per cent of their entire earnings, whatever might be apportioned to that road.

Mr. PEABODY. Further than that the packages are not delivered to the railroad company individually in 30 and 40 pounds, but they are delivered in mass, and the correct measure as against the mail is the measure that we get per hundred pounds for carrying the mails and the measure we get per hundred pounds for carrying the express. The revenue which we get for carrying 100 pounds of express is not based upon a rate upon 100 pounds, but based upon a rate on the various packages constituting 100 pounds, and that is the reason I am making the comparison.

Mr. STEWART. And we have taken the average parcel, or the rate for the average parcel of 40 pounds.

Mr. PEABODY. Merchandise is scarcely 40 pounds, it is 29 and a fraction. The mail rate does not apply to 40 pounds, but it applies to 100 pounds and therefore it should be measured against the revenue which the railway receives for carrying the express.

Mr. STEWART. The mail rate is just the same for 40 pounds as it is for 100 pounds, prorated.

Mr. BRADLEY. Would the rate for a 40-pound package of express be the same as the rate for 40 pounds of express matter?

Mr. PEABODY. Not by a great deal. The rate for 40 pounds of express would be a great deal more, for it is a higher rate.

Mr. WORTHINGTON. In other words, the 100-pound rate to which Gen. Stewart refers would apply to every large shipment of 100 pounds or more and would not apply to a shipment of less than 100 pounds?

Mr. STEWART. I refer particularly to the 40-pound table which we submitted.

Mr. WORTHINGTON. That would not apply to a shipment of less than 40 pounds?

Mr. STEWART. It would be the average.

Mr. WORTHINGTON. No. The rate would be higher, I think.

Mr. STEWART. The Interstate Commerce Commission found that the average weight of express parcels in 1909 was 32 pounds or thereabouts. The parcel post has taken out a large number of the smaller articles from the express and we estimate the average weight now to be about 40 pounds.

Mr. WORTHINGTON. It does not follow that because the average weight is 40 pounds, that is the average rate, because the rate for 40 pounds and 100 pounds or over is very much lower. What I mean to say is this: The 100-pound rate is very little lower per ton-mile than for 40 pounds, whereas the rate per ton-mile increases very fast with weights of less than 40 pounds. It is exceedingly high on the light, bulky packages shipped by express.

Mr. PEABODY. If we could get the actual weights on the packages constituting the 100 pounds it would be very very much higher than the rate shown here, because a large majority of those packages would leave the small ones at a very high rate and the rate is not at all proportioned.

Mr. STEWART. A complete answer to Mr. Worthington and Mr. Peabody on that point is found in the official statistics which we gave on the service as a whole, regardless of weight of individual parcels or the amount you received from different parcels. We showed that practically the same difference exists between the total amount received by the railroad companies for the express service and the mail service as exists between the individual rates, so that the general statistics refute the theory——

Mr. WORTHINGTON. Upon what basis do you refer to a ton-mile rate on all the express traffic.

Mr. STEWART. I refer to the comparison we submitted of revenue to the railroads from express and mail service as a whole, which was embodied in my paper and is found on pages 1278 and following of the record.

Mr. WORTHINGTON. Is it not a fact that based on ton mileage rate it is of very doubtful value for the reason that the ton mileage for express has never been computed for the country?

Mr. STEWART. We have a very fair estimate upon ton mileage.

Mr. WORTHINGTON. Based upon about 15 per cent, as I understand, of the traffic of two express companies?

Mr. STEWART. But the results which are obtained by those figures are so near the results submitted by Mr. Bradley for the Pennsylvania Railroad Co., and those ascertained by the Bureau of Railroad Economics, that it seems to me they are practically beyond dispute. The figures they submitted were lower than ours, so that our figures are more favorable to the railroads.

Mr. PEABODY. Do not those figures represent the old express rates and not the new ones?

Mr. STEWART. Yes. So did mine.

Mr. PEABODY. That statement which you submitted of the various examples of express rates were the new rates?

Mr. STEWART. Yes.

Mr. PEABODY. That is the one I am replying to. My figures are based on the new rate.

Mr. BRADLEY. Did the computation take into consideration the difference between the average hauls?

Mr. STEWART. Yes. We ascertained the average haul for the express from statistics of the Interstate Commerce Commission.

Mr. WORTHINGTON. I would like to call attention to the statement you referred to. You will find on analyzing that that you used car-foot miles used by the express for November, 1909, divided into one-twelfth of the express revenue for the whole fiscal year. You had available in your reports from the railroads the actual express earnings for November, 1909. The mail pay committee also received both the space and the revenue from express for November, 1909, and the express space as computed by the railway mail pay committee was almost identical with the express space found in Document 105. Document 105 shows that the express space was 10.62 per cent of the passenger train service. The independent computation of the railway mail pay committee showed it was 10.62 per cent, a difference of only five one-hundredths of 1 per cent. Dividing that space into the revenue the railway mail pay committee found that the revenue from express per car-foot mile was 3.86 mills, or nearly 20 per cent more than we received for handling the mails. Three and eighty-six one-hundredths mills are greater than the figures found in your document, which are 3.56 mills, due, no doubt, to the fact that you divide the space into one-twelfth of the express revenue for the fiscal year and not into the express revenue for November. The express revenue for November was more than one-twelfth of the express revenue for the fiscal year.

Mr. STEWART. We did not accept those figures for November as submitted by the railroad companies for express, because they appeared to be inflated. They undoubtedly cover items which should not be included, because if you compare them with the average monthly revenue you will find them much in excess of the average.

Mr. WORTHINGTON. Did you ascertain that they were inflated?

Mr. STEWART. That is an inference.

Mr. WORTHINGTON. I will say as to our road, we sent these figures to you under oath, as I remember, and we would resent any imputation that our figures were inflated as to express revenues, because they were not. The figures were returned exactly as reported to the Interstate Commerce Commission.

Mr. PEABODY. The same is true with respect to the Sante Fe.

Mr. STEWART. When I said "inflated" I did not mean they submitted figures which were false. What I mean is that the totals evidently contained items that would not be entertained by the Interstate Commerce Commission. I draw that conclusion from the fact that on comparison with the Interstate Commerce Commission figures we find them much in excess of the average.

Mr. WORTHINGTON. Did you compare them with the November figures for the Interstate Commerce Commission?

Dr. LORENZ. The express companies do not report monthly their revenues.

Mr. WORTHINGTON. The railroads report monthly their revenues from express?

Dr. LORENZ. We do not want the express companies' reports, but we want the railroad companies' reports. That is reported in one lump, as other passenger-train revenue and not segregated.

Mr. WORTHINGTON. I would like to say as to the Southern Pacific that our express revenue included only 40 per cent of the express revenue. We entirely omitted any reference to the stock and bond bonuses which we received years ago when we made our express contract in lieu of 55 per cent. Possibly other lines have done the same thing. Now, if that were so, the express revenue would be even larger than shown.

Mr. LLOYD. You got 40 per cent, so far as the record shows, but, as a matter of fact, you got 55.

Mr. WORTHINGTON. We did not get 55. We received other considerations at the time our contract was made.

Mr. LLOYD. But that other consideration was equal to 15 per cent, and that would make your compensation 55 per cent instead of 40 per cent. If that be true, then your report was not a correct report.

Mr. WORTHINGTON. It was correct so far as the express revenue was concerned.

Mr. LLOYD. But it did not include all express revenue, because it did not take into consideration all you got as bonus. What you received in compensation, whether it was bonus stock, cash, or credit, it is part of the company's revenue and ought to go in.

Mr. WORTHINGTON. Under the commission's rules we could not include in our revenue for that year any cash bonus or stock bonus which we had received a number of years ago as a consideration for making the contract with the express company.

Mr. LLOYD. What I was getting at was the accuracy of your report. Your report was not an accurate report, for it did not correctly state that which you received in revenue, because you had previously made some other arrangement and had received a bonus, which bonus is not taken into account at all in making this particular report.

Mr. WORTHINGTON. We thought if we had to go into these outside considerations we would also have to go into many other things which were received for handling express.

Mr. LLOYD. I am only getting at the question of the reliability of the report. The report, as I understand your statement, is not a reliable one, for it does not give information to Senator Bourne, or the commission, or what was the exact relation between you and the express company. It shows that you got 40 per cent, but there was a hidden arrangement between you that gave you compensation, you say, of 15 per cent, which 15 per cent is not shown as part of the revenue which you received from the express company for the work which you did for them.

Mr. WORTHINGTON. I would not term it a hidden arrangement, because it was well known at the time it was made.

Mr. LLOYD. But not known to the public, as I understand you, in the report you have made?

Mr. WORTHINGTON. I think it has been reported publicly a number of times.

Mr. SNEAD. You will find it fully explained in the commission's decision on the express case. The contract is specifically named and analyzed.

The CHAIRMAN. As I understand the report which your company furnished, it was in accordance with the requirements of the Interstate Commerce Commission for information, which, however, did not cover the bonus, the concealed equity which Mr. Lloyd has drawn out in his discussion?

Mr. WORTHINGTON. We did not feel we were justified in enlarging our regular express earnings for the year in any way. We thought that it was absolutely necessary for us to report the revenue absolutely received in the month of November for handling the express.

Mr. LLOYD. I am simply getting at the correctness of your statement. You now say, and that is the basis of the inquiry I have been making, that the 40 per cent was not a correct statement, because there was another consideration, which consideration did not go into the report and did not show on the face of your return, and it did not show on the face of the return because the questions asked did not demand that you reveal the whole story.

Mr. WORTHINGTON. I am rather of the opinion, though I am not certain, there was a supplemental statement furnished which did show the value of other equities for the express.

Mr. PEABODY. The report made by the Southern Pacific to the Interstate Commerce Commission necessarily included only such items as went to make up their total receipts and could not have included any bonus of previous years. The idea of the Interstate Commerce Commission was not to find out what they were receiving from the express companies, but to find out the total of the receipts going to make up that total for the year, of which this 40 per cent received from the express company was one item and had to be reported in that way.

Mr. LLOYD. Are there any other railroad companies that any of you know about that have gotten this secret compensation that is not shown in the report? Has your company, Mr. Peabody?

Mr. PEABODY. No, sir. We get a straight 55 per cent of the receipts of the express company.

Mr. LLOYD. And have you bonus of any kind?

Mr. PEABODY. And have no bonus of any kind, and I think those are very rare instances. I do not know of any important case except that of the Southern Pacific, but if there are any they will be shown in that decision of the express-rate case, for all contracts were detailed in that case.

The CHAIRMAN. Taking the case in point as to the relativeness between express and mail revenue, you are understating your case, rather than overstating it, from that viewpoint?

Mr. LLOYD. Yes.

Mr. WORTHINGTON. That is the point I was trying to bring out.

Senator WEEKS. There are two questions here, whether you have made a statement that complies with the requirement of the Interstate Commerce Commission, and, assuming that you have done that, whether your figures can be taken as a basis for making other comparisons with the receipts received from the mail or from some other service, and evidently those figures can not be taken as a proper basis, because they are 40 per cent of the express rates, while they should be 55 per cent.

Mr. WORTHINGTON. However, that has only a small influence on the express revenue of all the roads in the country.

Senator WEEKS. It would have a considerable influence on roads like this.

Mr. SNEAD. That contract was made 15 or 16 years ago, I believe.

Mr. WORTHINGTON. It was made 20 years ago.

Mr. PEABODY. I do not think it would bring the 40 per cent up to 55 per cent?

Mr. WORTHINGTON. No. That is a matter of doubt.

The CHAIRMAN. You may resume, Mr. Peabody.

Mr. PEABODY. It is further to be remarked that these express rates are not voluntary but are compelled by the ruling of the Interstate Commerce Commission and are at best only experimental, the express companies being given permission to come before that tribunal at any time and show cause for the promulgation of a higher basis of rates. It is also to be said that the contracts upon which the present division of revenue is based were all entered into when the express rate was upon a higher plane and do not in any wise represent what would be the basis adopted in any new contracts which may be entered into at the expiration of those now in force.

Mr. LLOYD. What do you mean by "a higher plane"?

Mr. PEABODY. The higher plane of rate?

Mr. LLOYD. Yes. What do you mean by "higher plane"?

Mr. PEABODY. The contracts were entered into when the express rates were on a higher basis than they are now fixed by the Interstate Commerce Commission.

Mr. LLOYD. You mean a higher plane of charges?

Mr. PEABODY. A higher plane of charges. If we were not willing to accept 55 per cent of these rates we are certainly not willing to accept 55 per cent of the present rates, because the service is of the same character.

It can be established that even under the old rates the express business was unremunerative to the railroads; and to compel them to carry the mails for a compensation no higher than that at present received for transporting express would be to still further reduce the already inadequate pay received from the mail service.

The statement submitted at the last hearing by the Second Assistant Postmaster General showing a comparison of express and mail rates has also been revised on the basis of the average merchandise shipments going to make up the revenue received per 100 pounds. This is interesting as showing 39 points between which 50 per cent of the express revenue exceeds the mail pay instead of 17 as set out in the statement of the department. Although the instances where one-half of the express revenue exceeds that of the mail are more than doubled, it must be remembered that the relatively small number of such cases is due to the numerous long and consolidated routes embraced in the statement when the pay of several routes is added together, thus obtaining a high rate of mail pay as contrasted with a single rate of express pay for the entire distance.

These statements are merely submitted in reply to the statement prepared by the Post Office Department officials. I have also some instances in connection with parcel post which may be interesting. We had some shipments of fruit contained in boxes of 20 pounds each between Farmington, N. Mex., and Gallup, N. Mex., a distance of somewhat less than 150 miles in a direct line.

We had three shipments, which were carried between these points by the following routes: From Farmington to Durango, 50 miles, where a transfer was made. From Durango to Antonito, 172 miles, and Antonito to Alamosa, 28 miles, where another transfer was made. From Alamoso to Cucharas Junction, 78 miles, with another transfer. From Cucharas Junction to El Moro, 37 miles, where it reached our line, the Santa Fe, and another transfer was made. From there it was carried by the Santa Fe for 270 miles to Albuquerque, and thence 158 miles from Albuquerque to Gallup without transfer, making a total of 793 miles haulage. The three shipments thus handled consisted respectively of 240 boxes, 83 boxes, and 93 boxes, or a total of 426. Another shipment of 165 boxes between the same two points was handled by the same route as far as Antonito, from there it was hauled to Santa Fe, 125 miles, at which point it was transferred by the Rio Grande to the Santa Fe Railway, which line hauled it from Santa Fe to Lamy, 18 miles, where a transfer was made to the main line train, and from there it was hauled 68 miles to Albuquerque and 158 miles from there to Gallup, making a total haul of 591 miles. That is merely an illustration of the work to which the railroads are now subjected in these roundabout routes where the matter has to be carried, because although it is somewhere within 150 miles across the country it requires a haulage of 793 miles.

The CHAIRMAN. Your system is the Atchison, Topeka & Santa Fe?

Mr. PEABODY. Yes.

The CHAIRMAN. What is its mileage?

Mr. PEABODY. About 10,000 miles.

The CHAIRMAN. How many express companies have you a contract with?

Mr. PEABODY. One.

The CHAIRMAN. What is your contract?

Mr. PEABODY. Fifty-five per cent.

The CHAIRMAN. And you have notified the company that you would not renew the contract under the old rate?

Mr. PEABODY. Not only that, but we have told them that we would not renew the contract at the same rate.

Senator WEEKS. Do you mean that?

Mr. PEABODY. We do.

Mr. WORTHINGTON. His contract is just expiring.

Mr. PEABODY. The contract expires in 1916. We would not renew it under the old rate, to say nothing of the new.

Senator WEEKS. I was looking over the express returns the other day as reported to the Interstate Commerce Commission, and, as I recall it, they showed earnings of about 3 per cent on their capital in the past year. What do you suppose the express companies will do if they are going to pay you more?

Mr. PEABODY. I know what one did and I presume the others will do the same thing. The United States Express Co. is going out of business.

The CHAIRMAN. Are you familiar with the express business in the United States?

Mr. PEABODY. No, sir; not very familiar.

The CHAIRMAN. Are there any gentlemen here who are familiar with the large express companies?

Mr. PEABODY. I do not know.

The CHAIRMAN. Were not the original contracts made between the railroads and the express companies purposely made favorable to the express companies because of the railroads themselves or some of their managers being largely interested in the express companies?

Mr. PEABODY. To what extent that is true I am not at all advised, but I understand in some cases that was the proceeding.

The CHAIRMAN. If that were true, the natural bias would be in favor of the express companies and not in favor of the railroads, would it not?

Mr. PEABODY. That would be the natural bias in that case, to give higher earnings to the express companies.

The CHAIRMAN. So that the railroads, on account of mutual ownership, would give more favorable rates to the express companies in which they had an interest than they would to an independent company?

Mr. PEABODY. It is claimed that that is the case.

Senator WEEKS. The reverse is also true, that in some cases the managers or owners of express companies own considerable interest in the railroads.

Mr. PEABODY. But they do not control the railroad rates. It is also to be said, Mr. Chairman, that it is only in recent years that any idea has been possessed by railroad officials as to the costs of doing business. Railroad officials are very busy men; they did not have time to investigate into the workings of the road as to the ascertainment of the cost of the different services, and that will answer your question this morning as to whether the railroads have not ascertained all these things. Railroad officials have not had time to ascertain all these things; they have been busy developing their properties, and in obtaining the best and most efficient results possible, but they have not had time to look into the cost and, as was remarked this morning, the cost of doing that thing is very great, and they have not felt as though they could afford to use the money for it. I presume, perhaps, no road has gone into it to the extent that the Santa Fe road has done. We have spent on an average of, say, $40,000 a year for the last 15 years investigating that very subject, and we have not gotten through investigating yet. We do not know now what it costs. We are going to get it if we can and our time and money holds out. I have two other items under parcel post I would like to call attention to.

Mr. STEWART. Before you leave that one case, Mr. Blackwell, who is an assistant superintendent of Railway Mail Service at Omaha and located until recently at Denver, is here and he informs me the shipment that you speak of went the roundabout way because there was no Sunday service between the two points.

Mr. PEABODY. But there were three shipments that went that way.

Mr. LLOYD. If there is no objection, I would suggest that we now take a recess.

(Thereupon, at 1 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The hearing was continued, at the expiration of the recess, at 2 o'clock p. m.

The CHAIRMAN. Mr. Peabody, will you kindly continue with your statement?

Mr. PEABODY. I have but very little more to say. I was simply going to cite one or two instances of the Parcel Post Service, or, rather, what shape it is taking. On March 12 there were 70 sacks of beans shipped from ——— to a place called ———, N. Mex., on which the postage rate was $1.04, whereas the freight rate between the same points was $1.55. I only wanted to show that it is taking away from our freight service business that naturally belongs there and putting it into the parcel post, because of the extremely high rates for that service in that territory and the comparatively low rates for the parcel post.

Mr. LLOYD. You do not mean to say that that occurs very frequently? That is an exceptional case.

Mr. PEABODY. We had another one of a lot of salt. There were 26 sacks of salt from Park View, N. Mex., weighing 2,100 pounds, loaded on March 9, or about that date.

Mr. LLOYD. These extraordinary cases you would be certain to find out?

Mr. PEABODY. Yes. I am afraid, however, that that service will grow where the cross-country distance is short and transportation distance is long.

Mr. LLOYD. That occurs only occasionaly?

Mr. PEABODY. That is true. It is not a common thing.

Mr. LLOYD. It would be impossible for the Government to make a rule that might not make a hardship somewhere.

Mr. PEABODY. Absolutely, but we are just as willing to share our proportion of the hardship as anyone.

Mr. LLOYD. This example that you give is one of the examples which proves the rule.

Mr. PEABODY. My object in citing was more to enter a quiet protest against this extension of the parcel-post weight to 100 pounds, because if you get it up to 100 pounds, there will be a good deal of it.

The CHAIRMAN. This apparent great difference in rates is due primarily to the distance in air, a direct line, and the rail distance, which is possibly three times as great?

Mr. PEABODY. Yes; three, four, or five times. That can not be helped, however.

The CHAIRMAN. Is that all, Mr. Peabody?

Mr. PEABODY. That is all.

Mr. STEWART. I would like to read into the record the sentence to which I referred as being contained in Mr. Meyer's statement, from which Mr. Peabody quoted. Mr. Peabody quoted up to this sentence, referring to the general plan followed by railroad accountants. Mr. Meyer said about that: "However, I am not suggesting that methods and rules which are now found to be common to several railway accounting departments are those which the commission should necessarily accept or prescribe."

Mr. PEABODY. I will indorse that sentence of Mr. Meyer's exactly, because those that are now being used by the railroads are as yet imperfect, and I should dislike very much to have the method we use prescribed by the Interstate Commerce Commission as a rule.

Mr. SNEAD. I should like to ask Mr. Stewart if he construes those remarks of Mr. Meyer as an official expression of the Interstate Commerce Commission or from Mr. Meyer as his own personal views?

Mr. PEABODY. I can answer that for Mr. Stewart, because Mr. Meyer states in the beginning of his paper that they are his own personal views, and are not to be taken as the expression of the Interstate Commerce Commission.

Mr. STEWART. I think that is correct. This was an address delivered before an association meeting in Chicago.

Mr. LLOYD. But this is more valuable than if it were his official view, because it is supposed to be a statement of what he really thinks.

Mr. SNEAD. But it does not bind the commission to those views expressed by Mr. Meyer. There are six other gentlemen who would have something to say on that subject.

Mr. PEABODY. It is also to be said that Commissioner Meyer is very much in favor of prescribing a formula, and he believes that a practical formula that can be worked out would be practically accurate.

Mr. STEWART. In connection with that statement of Mr. Meyer as an authority, it will be remembered that he was one of the railway commissioners of Wisconsin at the time the celebrated Buell case was heard there, and I believe his name appears at the end of the opinion in that case. The principles of that case largely controlled in the department's determination of a method of dividing expenses. This is what Mr. Meyer said regarding the principle which Mr. Peabody has announced this morning.

Rails constitute the one item which is said to be entirely affected by the traffic. The cost per revenue train-mile for the renewal of rails in the passenger group varied from 0.68 of a cent on the B. & M. to 1.2 cents on the New York Central. In the freight group this cost varied from 1.40 cents on the D. L. & W., which is also a heavy passenger road, to 2.68 cents on the W. & L. E.; 2.80 cents on the Norfolk & Western; 3.51 cents on the D. & I.; 10.40 cents on D. M. & N., to 2.55 per revenue train-mile on the C. M. & St. P. From these figures, which cover several years, it is very clear that the cost of maintenance of rails was relatively much greater on the freight than on the passenger road. What is true with respect to the maintenance of rails is also true for the maintenance of ties and other maintenance expenses. The periods covered are long enough to indicate the general tendency. The extraordinary improvement during the periods does not seem to have been relatively greater on the freight than on the passenger roads. No conditions have been discovered which would warrant any other conclusion than that these differences in the costs actually measured the wear and tear on practically all of the roads included in the table. If this is actually the case, then it must follow as a matter of course that an average passenger train-mile is, on the whole, less injurious to the rail and track than an average freight train-mile.

Mr. Meyer has since become a member of the Interstate Commerce Commission.

The part of the testimony known as volume 11 was, as it is shown in the prefatory note, printed without the opportunity of the department to make the usual corrections. This was to expedite the work of the committee, as stated by the chairman. When we received the printed volume it was checked up, and not anticipating the submission by Mr. Peabody of tables based upon rates and weights comparable with the express tables, we changed the mail rates on various items in the table for the western section from the top rates to the average rates to make them uniform with all other rates in the tables, the other rates being average mail rates. The volume has not been reprinted. I have suggested to the chairman and to Mr. Peabody

that in order not to confuse Mr. Peabody's tables, I will let these tables stand just as they are in the record, so that his tables will have a relevancy to the original tables presented, and I will ask permission to supplement the latter by tables showing the average rate in every case for the reprinted volume, and then Mr. Peabody can submit other tables on those if he desires.

The CHAIRMAN. There is an explanation similar to what you have stated on the supplementary case.

Mr. STEWART. Yes; Mr. Chairman. Is it the desire, before taking up the question of Mr. Mack's space on the Missouri Pacific that we submit any suggestion upon the paper read by Mr. Peters?

The CHAIRMAN. We will leave all these things for general discussion until we have before the commission all the papers that have been prepared and written.

Mr. MACK. I have not quite completed my statement as yet.

The CHAIRMAN. Is Mr. McCahan ready to submit his statement?

Mr. MCCAHAN. Yes, sir.

The CHAIRMAN. This is for the Baltimore & Ohio Railroad?

## STATEMENT OF MR. J. C. McCAHAN, JR.

Mr. MCCAHAN. Yes, sir; for the Baltimore & Ohio Railroad Co.

Mr. Chairman, what I have prepared here is a set of tables alphabetically lettered from A to I. They represent the space on the line as a whole and one particular route, which represents various classes of service performed by the company for the Post Office Department. The others represent from an accounting standpoint, some of which have been prepared by our comptroller, Mr. J. T. Leary. Under the heading of Table A we show the total car-foot miles reported by the company classified by the various classes of cars, such as postal cars, apartment cars, and closed-pouch space.

The CHAIRMAN. Reported to whom?

Mr. MCCAHAN. The Post Office Department.

The CHAIRMAN. When they were making up their compilations for Document 105?

Mr. MCCAHAN. Yes; for 1909. The total result of the comparison is that the company reported 33,134,015 car-foot miles to the mail service. The department allowed 25,391,708, a reduction of 7,742,307 car-foot miles. The passenger has been increased over that reported by the company by 7,772,775 miles, substantially the same.

The CHAIRMAN. It is just a transfer?

Mr. MCCAHAN. Apparently such; a transfer from the mail into the passenger. I have taken one route, No. 113003, which runs through Washington, Table B. It was stated at that time from Baltimore, Md., to Grafton, W. Va., and I show in the full postal cars distribution space the department has given 216,955 more than we reported, but in the storage they have taken from us 907,494 car-foot miles. In connection with the storage I find that during the time these statistics were taken we had a full storage car operated from Washington to Cincinnati on train No. 1. That car operated over three different routes, but over the particular route I have figured, allowing for a basis of 40 feet to the car, which was reasonably correct, the car being equipped with stanchions, it

amounted to 304,260 car-foot miles. I can not find, however, that any return movement was allowed for that car, so far as the car-foot miles are concerned, which, if they had been allowed, would have increased our car-foot miles in storage for that particular car just 100 per cent. The car operated over three routes between Washington and Cincinnati, as shown in Table C–1, and I find from Document 105 that the department allowed us storage space over route 113003, which closely equals the amount that I figured. Between Grafton and Parkersburg, which was part of the operating run of the car, and during which time the car was still occupied with mail, I can find no allowance whatever for storage space, but when that car got on the route between Parkersburg and Cincinnati I find storage space has been allowed. I have a diagram here in these statements which I will turn over to you. I do not know just why the storage space was disallowed between Grafton and Parkersburg.

The CHAIRMAN. Have you made any inquiry of the department as to the seeming discrepancy between their and your computation?

Mr. MCCAHAN. No, sir; I have not. That would represent a considerable space, but that part that I show where the storage space was disallowed is not given in detail figures on these statements, because I have only taken the one route as an illustration. In the mail apartment-car service for that particular route I find the department allowed us 943,937 car-foot miles in the distribution; that is all for apartment cars, shown on Table B. That decreases what we reported 66,575 car-foot miles. In storage for mail apartment cars we reported 812,280. I can not find that the department allowed anything for that, which made a decrease of that amount. Deadheading we reported 179,700, and I find that has been eliminated also. In connection with that I have taken certain trains on that route, with which I am personally familiar and about which I felt no doubt as to the conditions prevailing at the time these figures were taken—Nos. 5, 11, 12, and 14—the first two representing westbound trains and the last two eastbound trains. The westbound trains represent maximum amount handled as loaded at Washington and eastbound the minimum amount as unloaded at Washington. I find that on an average these trains handled over 4 tons westbound and from 1 to 2 tons eastbound. I am reasonably satisfied that my figures as to the space allowed by the department in apartment-car service are reasonably correct, for the reason that I have figured out to see if there was any difference between that reported in Document 105 and the Railway Mail Service schedule in effect at that time, Table D. On one particular train that I speak of, train No. 5, it carried during the weighing period of 1909, 939,500 pounds, which averaged per day a total of 8,947 pounds, but the maximum daily average for the heaviest week of the weighing period there was loaded on at Washington 12,100 pounds. I figure that a full postal car would run about 2½ tons. Here is a 30-foot mail apartment car that carried over 6 tons out of Washington, on an average, and at times it went higher. I have a personal recollection at one time when there were 25,000 pounds of mail loaded in that car, and it went down so heavy on the bearings that it cut the air pipes, and the mail had to be transferred at Cumberland. I can not find from Document 105 that there was any space allowed for the overflow in the baggage end of the car.

Mr. STEWART. Are you referring to the figures of 1913 weighing?

Mr. MCCAHAN. No, sir; 1909. I have the figures for 1913 separately. These are 1909 figures, taken in the spring of 1909, during the same year these statistics were gathered.

I took this from the weight cards furnished by the Railway Mail Service. On train No. 11 we carried during the period a total of 1,012,300 pounds, an average per day of 9,641 pounds, the maximum daily average being 12,442 pounds. That represents the two westbound trains on which the department had a 30-foot car authorized. On the two eastbound trains with the same space, the amount of mail carried into Washington was not as heavy as carried out, as I have previously stated. Train No. 12 carried into Washington and unloaded at that point 430,200 pounds with an average of 4,097 pounds per day. Even that train, with the mail in the light-weight direction, carried over 2 tons on an average. The maximum daily average went to 4,843 pounds. Train No. 14, unloaded 218,200 pounds, an average per day of 2,078 pounds, the maximum daily average being 2,628 pounds. It will be observed that the lowest maximum weight loaded was over 6 tons, and unloaded at the same point was over 1¼ tons. The amount unloaded at Washington from trains Nos. 12 and 14 (the two eastbound trains) represent about the minimum weight carried at any one time. The purpose of this is to demonstrate that the company was entitled to the full inside length of the cars in each case cited. I have taken the 1913 weighing and have made calculations somewhat similar, and I find that train No. 5 left Washington 61 per cent of the time with over 5 tons of mail. The maximum at any one time was 9½ tons. That car had the same service in 1913, during the weighing, as it had in 1909, so that the figures are running very close. Train No. 11 left Washington 73 per cent of its time with over 3 tons of mail, the maximum at any one time being about 7 tons. Train No. 12 arrived at Washington—this is the eastbound train—48 per cent of the time with over 2 tons of mail, the maximum at any one time being 5½ tons. Train No. 14 arrived in Washington 49 per cent of the time with over 2½ tons, the maximum at any one time being 5½ tons—the same as No. 12. That is prepared, Mr. Chairman, in order to demonstrate the conditions prevailing during the two periods with the same service, and that the company ought to have been allowed credit in the 1909 figures for the full length of the cars run which were used entirely by the Post Office Department for mail service.

The CHAIRMAN. Was it allowed by the Post Office Department in its computation?

Mr. MCCAHAN. I can not find that it was.

The CHAIRMAN. No credit whatever?

Mr. MCCAHAN. No, sir; I can not find it.

The CHAIRMAN. General Stewart, I know it is pretty hard to carry these things in mind, but can you answer that question?

Mr. STEWART. I could not say without examining the records.

Mr. MCCAHAN. In order to satisfy myself, as nearly as possible, that this calculation was correct (as previously stated) I took the cars as the department figured in the schedule at the time, and figured out the car-foot miles for each train in order to see that my total would come near Document 105, Table D. The result of that calculation is that I have reached it all but 10,000 car-foot miles. They

allowed us 943,937, and I find 954,841, the difference probably being due to some mileage calculations.

The CHAIRMAN. What do you figure you have lost in the failure of the department to grant all the allowance you claim?

Mr. MCCAHAN. I figure that we have lost a total of 7,742,309 mail car-foot miles. If we work that down to earnings per car-foot mile, I find that they have increased the earnings per car-foot mile nine-tenths of a mill.

The CHAIRMAN. And the actual payments made you are in the tables made up in Document 105?

Mr. MCCAHAN. This is based on the actual payment for the month of November, 1909. I thought it would be well if I could present these figures, as they may be of some use to you even at this late day.

Dr. LORENZ. With the weights for the two periods and the record of the space service for the two periods, you could give us a pretty good idea of the change in the average load per car, could you not?

Mr. MCCAHAN. On that particular route; yes, sir.

Dr. LORENZ. Has it changed appreciably?

Mr. MCCAHAN. It shows here (so far as the average I have worked out) that it has increased so much—that is, so far as taking the per cent of time. That would be no factor to compare with this—that is, 1913, with the individual weight per day.

Dr. LORENZ. Is it your impression, from a study of this, that the average weight in the car has increased as much as half a ton?

Mr. MCCAHAN. I would not like to make that as a definite statement, because I have not looked that up intelligently enough to find out. I haven't that in mind.

The CHAIRMAN. Let me understand this: From concrete illustrations you have submitted to the committee, do you deduce the conclusion that Document 105, or particularly Table No. 7 of that document, is incorrect, or that it should not be given too great credence?

Mr. MCCAHAN. I do.

The CHAIRMAN. Or is it your presentation simply that your road was underpaid nine-tenths of 1 mill per car-foot mile during that year on the rates then existing?

Mr. MCCAHAN. I spoke so far as the Baltimore & Ohio Railroad is concerned that Table 7, Document 105, in my opinion, does not represent the full amount of car space that we were entitled to.

Dr. LORENZ. But Table 7 does not purport to give anything else but the mail plus deadhead space and not the dead space. Now, if you add to that the dead space, would the total then be similar to your total?

Mr. MCCAHAN. I have in here everything that we reported and everything the department allowed. I have taken this by individual routes which I have here. Here is the way that worked out on individual routes on the same basis.

Dr. LORENZ. My question is whether the total space which you determined is greater than the space generally in Table 3, for example, where the mail space plus dead space may be derived. If they have allowed you all the dead space, would they then have allowed you all you determined?

Mr. MCCAHAN. I did not figure on that basis.

Dr. LORENZ. No railroad will find that there is any agreement between its figures and Table 7; so, unless you add to that dead space, you can not make any comparison.

Mr. McCAHAN. I can very easily do that and work it out and see what the result would be. That represents the few cases, Mr. Chairman, that I wanted to present. I did not want to encroach upon your time too much.

The CHAIRMAN. We are glad to have all the information we can on the specific subject under consideration.

Mr. McCAHAN. Mr. Chairman, I have here also a table lettered F, which represents the operating expenses and taxes reported by the railroad company in 1909 and those used by the Post Office Department. I have applied the percentage of car-foot miles reported, both by the railroad company and those used by the department, to both the operating expenses and taxes and then to the fixed charges. My object in that was to find out just what over or under payment the different calculations would make, and I find that with the total operating expenses, by using our own car-foot miles, it shows we were underpaid the total of $21,886 per month. This is all based on the November, 1909, figures. With the fixed charges that the company reported, I find our underpayment was $69,508 per month. The table following gives it by years and the per cent. With the Post Office Department car-foot miles applied to the same operating expenses, I find that we were overpaid $5,980.92. By taking the fixed charges and applying them to the same figures with the same percentage, I find that we were underpaid $30,572.84. If I take the Post Office Department's operating expenses as they apportioned them, then I get, with the car-foot miles reported by the company, an overpayment of $4,391.66.

The CHAIRMAN. These are all by the month?

Mr. McCAHAN. All on a monthly basis. If I take the fixed charges and add to the same, then I get an underpayment of $24,477.14. Then the last two calculations are based on the Post Office Department's car-foot miles and operating expenses, which gives us an overpayment of $26,151.45 per month, which is what the department reported in Document 105; by applying the fixed charges to the same item, I get an overpayment of $3,992.21. The idea in compiling this statement was merely to illustrate the effect in the application of the car-foot miles as both reported by us and those used in the department to the different methods of dividing operating expenses. The operating expenses we show here are divided on a train-mile basis. I have a couple of statements also, Tables G and H, prepared by Mr. J. T. Leary, comptroller, who is thoroughly familiar with the details. I asked him if they could be presented here, and any detailed explanation you would like, if I am not able to furnish it, I will be glad to get it. Table G is the formula for dividing the operating expenses and taxes, identical with the formula used by the Post Office Department. This represents the expenses as arrived at for the fiscal year ending June 30, 1913. These are brought up-to-date. The result of that is it shows that the mail service, based on our car-foot miles, is costing the company $1,780,155.48, while we received from the mail $1,205,158.95. In other words, on the net return from operation, instead of the mail earning anything it shows it went back $574,996.53, or about 5.9 per cent on property investment. With the fixed charges added to that it increased the underpayment to $760,135.69, or representing a deficit on property investment of 7.83 per cent. We have another statement labeled H, which is worked out on the

Buell formula. This is the statement used in the Wisconsin rate case, as I understand it. The same method has been applied to this as in the other ones, with the result that the underpayment shows $390,616.09, as compared with $574,996.53 on the Post Office Department's basis. With the fixed charges, that goes to $575,755.25, as compared with $760,135.69 on the Post Office Department basis. Those two statements represent the operating expenses for the last fiscal year, and we felt that it would represent very clearly the difference in the increased cost, as compared with the average, when the statistics were originally compiled and on which Document 105 is based. I think you have heard a great deal about the increased cost of labor and material and I think these statements are illustrative; they were prepared with a view to seeing just exactly what the relative results would be. Then I have another table lettered I, worked out on the basis of passenger-car-mile earnings. In other words, if we applied the rate that we earned from passenger-car miles to the mail-car miles, we get a result similar to the other two statements—an underpayment of $559,431.02. In the Buell statement it runs $390,616.09 and in the Post Office Department formulas it runs $574,996.53, so the effect of all these statements is to substantially harmonize.

Dr. LORENZ. How did you get the earnings of passenger-car miles?

Mr. MCCAHAN. By taking the total car miles and dividing them into the passenger earnings.

Dr. LORENZ. So that it is an average, including baggage, mail, and express?

Mr. MCCAHAN. Yes; everything.

Mr. TUTTLE. How much was that a car mile?

Mr. MCCAHAN. Twenty-two and three-tenths cents.

The CHAIRMAN. That is for a 60-foot car?

Mr. MCCAHAN. That is on the passenger-car service; that is, it takes all the passenger equipment. I do not know just what cars were used; in fact, every car we had was used.

Mr. TUTTLE. Does your table show what the cost was per car mile?

Mr. MCCAHAN. No; the cost per car mile, I think, will work out pretty near on an equal basis. I have not figured that out.

Mr. TUTTLE. Does it about equal the revenue?

Mr. MCCAHAN. I am not sure. Not exactly. I think it will run pretty close.

The CHAIRMAN. Do you not take a 60-foot car as your standard; as your unit? Your earning of 22 cents a car mile is on that basis?

Mr. MCCAHAN. In the passenger service?

The CHAIRMAN. Yes.

Mr. MCCAHAN. We took the total car miles regardless of the car length and figured out exactly what the total passenger earnings were per car mile.

The CHAIRMAN. Then would it be equally fair to take the postal cars, regardless of their length—whether 70, 40, 50, or 60 feet—and make a computation on the same basis?

Mr. MCCAHAN. I did allow straight car mileage for full postal cars because that represents the unit of service, but in the mail-apartment cars I took the car actually assigned to the run, figured out the length of the mail apartment, took the total mileage of the car, and arrived at it on that basis. In other words, if a car was 50 feet long and the mail space occupied 20 feet, I took two-fifths of that

mileage. I took the proportioned mileage. That was the best way I could arrive at it. That statement is simply submitted as an illustration in connection with the other two statements.

For convenient reference I submit the Tables A to I, inclusive, referred to in my general statement.

[The Baltimore & Ohio Railroad Co. Mail department.]

RAILWAY MAIL PAY.

[Information prepared for presentation to the Joint Committee on Postage on Second-class Mail Matter and Compensation for the Transportation of Mails. Baltimore, Md., April 1, 1914.]

TABLE A.—*Comparative car-foot miles, Baltimore & Ohio Railroad and Post Office Department, November, 1909.*

| | Baltimore & Ohio Railroad. | Per cent. | Post Office Department. | Per cent. | Reported by Post Office Department (increase+, decrease—) |
|---|---|---|---|---|---|
| Postal cars: | *Car-foot miles.* | | *Car-foot miles.* | | |
| Distribution | 13,970,480 | | 14,242,425 | | + 271,945 |
| Storage | 3,366,923 | | 818,061 | | —2,548,862 |
| Deadhead | 662,400 | | 489,150 | | — 173,250 |
| Total | 17,999,803 | | 15,549,636 | | —2,450,167 |
| Mail apartment cars: | | | | | |
| Distribution | 10,233,814 | | 8,986,451 | | —1,247,363 |
| Storage | 1,501,300 | | | | —1,501,300 |
| Deadhead | 604,122 | | | | — 604,122 |
| Total | 12,339,236 | | 8,986,451 | | —3,352,785 |
| Mail space in baggage cars | 2,794,976 | | 855,621 | | —1,939,355 |
| Total mail | 33,134,015 | 9.81 | 25,391,708 | 7.53 | —7,742,307 |
| Passenger: | | | | | |
| Revenue | 248,656,914 | | 251,582,255 | | +2,925,341 |
| Dead | | | 5,660,543 | | +5,660,543 |
| Deadhead | 813,109 | | | | — 813,109 |
| Total | 249,470,023 | 73.85 | 257,242,798 | 76.28 | +7,772,775 |
| Express | 55,187,434 | 16.34 | 54,585,970 | 16.19 | — 601,464 |
| Grand total | 337,791,472 | 100.00 | 337,220,476 | 100.00 | — 570,996 |

EARNINGS PER CAR-FOOT MILE.

| | | | | | |
|---|---|---|---|---|---|
| Mail | $0.00296 | | $0.00386 | | +$0.00090 |
| Passenger | .00463 | | .00449 | | — .00014 |
| Express | .00272 | | .00275 | | + .00003 |

Average weight per pouch or sack used by the Post Office Department, 20 pounds. Results obtained by the Baltimore & Ohio Railroad Co. at Chicago, Ill., based on regular weighing by Post Office Department:

| | March, 1911. | Per cent of increase over department's average. | November, 1911. | Per cent of increase over department's average. |
|---|---|---|---|---|
| Average weight per pouch or sack: | *Pounds.* | | *Pounds.* | |
| Received | 28 | | 26 | |
| Forwarded | 42 | | 39 | |
| Total average | 36 | 80.00 | 34 | 70.00 |

| | |
|---|---|
| Mail revenue | $98,015.98 |
| Mail revenue if paid on earnings per passenger car-foot mile | 153,410.49 |
| Increase (56.52 per cent) | 55,394.51 |

TABLE B.—*The Baltimore & Ohio Railroad Co.—Route 113003—Baltimore, Md., to Grafton, W. Va.*

| | B. & O. R. R. | Per cent. | Post Office Department. | Per cent. | Reported by Post Office Department (increase+, decrease−). |
|---|---|---|---|---|---|
| Postal cars: | *Car ft. miles.* | | *Car ft. miles.* | | |
| Distribution | 3,670,280 | | 3,887,235 | | + 216,955 |
| Storage | 1,251,714 | | 344,220 | | − 907,494 |
| Deadhead | | | | | |
| Mail apartment cars: | | | | | |
| Distribution | 1,010,512 | | 943,937 | | − 66,575 |
| Storage | 812,280 | | | | − 812,280 |
| Deadhead | 179,700 | | | | − 179,700 |
| Mail space in baggage cars | 294,968 | | 186,297 | | − 208,671 |
| Total mail | 7,319,454 | 10.52 | 5,361,689 | 7.63 | −1,957,765 |
| Passenger: | | | | | |
| Revenue | 47,830,493 | | 49,552,270 | | +1,721,777 |
| Dead | | | 1,730,233 | | +1,730,233 |
| Deadhead | 813,109 | | | | − 813,109 |
| Total passenger | 48,643,602 | 69.92 | 51,282,503 | 73.02 | +2,638,901 |
| Express | 13,604,250 | 19.56 | 13,582,424 | 19.35 | − 21,826 |
| Grand total | 69,567,306 | 100.00 | 70,226,616 | 100.00 | + 659,310 |

TABLE C.

*The Baltimore & Ohio Railroad Co.—Full postal cars—Route 113003—Baltimore, Md., to Grafton, W. Va.*

| 1 Trains. | 2 Between— | 3 Distance. | 4 Length paid for. | 5 Authorized space page 190, Document 105. | 6 Car-foot miles based on column 5. |
|---|---|---|---|---|---|
| | | | *Feet.* | *Feet.* | |
| 1 | Washington-Cumberland | 151.67 | 50 | 50 | 227,505 |
| 12 | do | | 50 | 50 | 227,505 |
| 55 | do | 151.67 | 50 | 50 | 227,505 |
| 2 | do | | 50 | 50 | 227,505 |
| 3 | do | 151.67 | 50 | 50 | 227,505 |
| 4 | do | | 40 | 40 | 182,004 |
| 9 | do | 151.67 | 60 | 60 | 273,006 |
| 10 | do | | 60 | 60 | 273,006 |
| 47 | do | 151.67 | 50 | 50 | 227,505 |
| 6 | do | | 60 | 60 | 273,006 |
| 1 | Cumberland-Grafton | 101.88 | 50 | 50 | 152,820 |
| 12 | do | | 50 | 50 | 152,820 |
| 55 | do | 101.88 | 50 | 50 | 152,820 |
| 2 | do | | 50 | 50 | 152,820 |
| 3 | do | 101.88 | 50 | 50 | 152,820 |
| 4 | do | | 40 | 40 | 122,256 |
| 555 | Baltimore-Washington | 39.71 | 50 | 50 | 59,565 |
| 504 | do | | 40 | 40 | 47,652 |
| 511 | do | 39.71 | 50 | 50 | 59,565 |
| 516 | do | | 40 | 50 | 59,565 |
| 506 | do | 39.71 | 40 | 50 | 59,565 |
| 547 | do | | 50 | 50 | 59,565 |
| | Total | | | | 3,597,885 |

| | |
|---|---|
| Total car-foot miles shown "Distribution space," page 191, Document 105 | (a) 3,887,235 |
| Total car-foot miles based on R. P. O. car authorization, page 190, Document 105 | (b) 3,597,885 |
| Difference | 289,350 |
| Reported by railroad company | 3,670,280 |
| Difference compared with (a) | −216,955 |
| Difference compared with (b) | +72,395 |

TABLE C–1.—*The Baltimore & Ohio Railroad Co.—Route 113003—Baltimore, Md., to Grafton, W. Va.*

STORAGE CAR TRAIN 1.

Document 105 allows 344,220 car-foot miles.

Car equipped with stanchions and about 40 feet long, 304,260 car-foot miles. Department's allowance for this car reasonable.

No allowance for return movement eastbound deadhead made necessary by movement westbound for mail service and no use to company eastbound.

If credit had been allowed for return movement, storage space for this one car would have been increased 344,220 car-foot miles. This does not take into consideration storage space in postal cars or similar space in mail-apartment cars.

Car operated from Washington to Cincinnati over three routes, Washington to Grafton, Grafton to Parkersburg, and Parkersburg to Cincinnati. Credit allowed Washington to Grafton, none between Grafton and Parkersburg, and credit allowed between Parkersburg and Cincinnati:

| Washington | Grafton | Parkersburg | Cincinnati |
|---|---|---|---|
| Storage allowed | Storage disallowed | Storage allowed | |
| Operating run of car carrying storage mail | | | |

MAIL-APARTMENT CAR.

Document 105, 943,937 car-foot miles.

No credit given for baggage end of certain cars used for storage of mails.

Train 5, Washington, D. C., to Cumberland, Md., 30-foot apartment and 29-foot baggage; latter space used entirely for mail. This will also apply to trains 11, 12, 14. These four trains have an aggregate of 116 linear feet of space in baggage end, representing 527,812 car-foot miles. Allowing for deadhead movement of storage car previously mentioned, makes a total of 872,032 car-foot miles disallowed for these five trains on this one route. There may have been other cases, but these particular trains were selected because of the concrete evidence as to the use of the whole car for mail service.

Total car-foot miles disallowed, Document 105, on this route as it applies to full postal and mail-apartment cars, 1,749,094, exclusive of 208,671 car-foot miles disallowed in closed pouch service, the total disallowance being 1, 957,765, or 26.70 per cent of total mail space reported by company for this one route.

TABLE D.—*The Baltimore & Ohio Railroad Co.—Mail apartment cars—Route 113003—Baltimore, Md., to Grafton, W. Va.*

| Trains. | Between— | Distance. | Length required. | Car-foot miles. |
|---|---|---|---|---|
| | | | *Feet.* | |
| 145 | Baltimore–Washington | 39.71 | 20 | 20,649 |
| 160 | Washington–Baltimore | 39.71 | 20 | 20,649 |
| 161 | Baltimore–Washington | 39.71 | 30 | 35,739 |
| 144 | Washington–Baltimore | 39.71 | 25 | 29,781 |
| 153 | Baltimore–Washington | 39.71 | 30 | 35,739 |
| 171 | ....do | 39.71 | 25 | 29,781 |
| 19 | Baltimore–Relay | 9.00 | 20 | 4,680 |
| 19 | Washington Junction–Harpers Ferry | 13.04 | 20 | 6,781 |
| 17 | Baltimore–Relay | 9.00 | 20 | 4,680 |
| 17 | Washington Junction–Harpers Ferry | 13.04 | 20 | 6,781 |
| 16 | Harpers Ferry–Washington Junction | 13.04 | 20 | 6,781 |
| 16 | Relay–Baltimore | 9.00 | 20 | 4,680 |
| 20 | Harpers Ferry–Washington Junction | 13.04 | 20 | 6,781 |
| 20 | Relay–Baltimore | 9.00 | 20 | 4,680 |
| 25 | Baltimore–Relay | 9.00 | 15 | 3,510 |
| 26 | Relay–Baltimore | 9.00 | 15 | 3,510 |
| 5 | Washington–Cumberland | 151.67 | 30 | 136,503 |
| 11 | ....do | 151.67 | 30 | 136,503 |
| 12 | Cumberland–Washington | 151.67 | 30 | 136,503 |
| 14 | Grafton–Cumberland | 101.88 | 25 | 76,410 |
| 14 | Cumberland–Baltimore | 191.38 | 30 | 172,242 |
| 502 | Washington–Baltimore | 39.71 | 30 | 35,739 |
| 512 | ....do | 39.71 | 30 | 35,739 |
| | Total | | | 954,841 |
| | Amount shown on page 191, Document 105 | | | 943,937 |
| | Difference | | | 10,904 |

TABLE E.—*The Baltimore & Ohio Railroad Co.—Use of mail apartment cars on trains 5, 11, 12, and 14, loaded and unloaded at Washington, D. C., during weighing of 1909.*

| Train. | | Loaded and unloaded. | Average per day. | Maximum daily average. |
|---|---|---|---|---|
| | | *Pounds.* | *Pounds.* | *Pounds.* |
| 5 | Loaded | 939,500 | 8,947 | 12,100 |
| 11 | do | 1,012,300 | 9,641 | 12,442 |
| 12 | Unloaded | 430,200 | 4,097 | 4,843 |
| 14 | do | 218,200 | 2,078 | 2,628 |

Average load in postal car will run about 2½ tons. It will be observed from the foregoing table that the lowest maximum average weight loaded on at Washington is over 6 tons, and unloaded at same point over 1¼ tons. The amount unloaded at Washington from trains 12 and 14 represent about the minimum weight carried at any one time on the route. The purpose of this exhibit is to demonstrate that the railroad company was entitled to the full inside length of cars in each case cited.

During the last weighing, 1913, these trains had the same character of service—30-foot mail apartment cars. Here is what they handled:

Train 5 left Washington, D. C., 61.90 per cent of the time with over 5 tons of mail; maximum at any one time being 9½ tons.

Train 11 left Washington, D. C., 73.33 per cent of the time with over 3 tons of mail; maximum at any one time being 7 tons.

Train 12 arrived at Washington, D. C., 48.60 per cent of the time with over 2 tons of mail; maximum at any one time being 5½ tons.

Train 14 arrived at Washington, D. C., 49.50 per cent of the time with over 2½ tons of mail; maximum at any one time being 5½ tons.

If the investigation had been conducted in November, 1913, and the same method followed by the department as in November, 1909, these four trains, carrying above-mentioned weights, would have received credit for only 30 feet, while it would have been impossible to have loaded the amount of mail mentioned in the mail compartment, and the same is relatively true of the conditions applying in 1909.

TABLE F.—*Comparative application of car-foot miles in mail service to passenger-operating expenses and fixed charges, the Baltimore & Ohio Railroad Co. and Post Office Department, November, 1909.*

| | Passenger operating expenses. | Taxes. | Total. | Fixed charges. | Grand total. |
|---|---|---|---|---|---|
| Railroad company | $1,151,649.02 | $70,596.18 | $1,222,245.20 | $485,441.70 | $1,707,686.90 |
| Car-foot miles: | | | | | |
| Railroad, 9.81 per cent | | | (a) 119,902.25 | | (b) 167,524.08 |
| Post Office Department, 7.53 per cent | | | (c) 92,035.06 | | (d) 128,588.82 |
| Post Office Department | 954,573.41 | 37,337.54 | 991,910.95 | [1] 256,744.72 | 1,248,655.67 |
| Car-foot miles: | | | | | |
| Railroad, 9.81 per cent | | | (e) 93,624.32 | | (f) 122,493.12 |
| Post Office Department, 7.53 per cent | | | (g) 71,864.53 | | (h) 94,023.77 |

| | Month. | Year. | Per cent. |
|---|---|---|---|
| Mail earnings | $98,015.98 | $1,176,191.76 | |
| Underpaid on basis of (a) | 21,886.27 | 262,635.24 | 22.33 |
| Underpaid on basis of (b) | 69,508.10 | 834,097.20 | 70.92 |
| Overpaid on basis of (c) | 5,980.92 | 71,771.04 | 6.11 |
| Underpaid on basis of (d) | 30,572.84 | 366,874.08 | 31.19 |
| Overpaid on basis of (e) | 4,391.66 | 52,699.92 | 4.48 |
| Underpaid on basis of (f) | 24,477.14 | 293,725.68 | 24.97 |
| Overpaid on basis of (g) | 26,151.45 | 313,817.40 | 26.62 |
| Overpaid on basis of (h) | 3,992.21 | 47,906.52 | 4.07 |

[1] Determined by railroad company, using 19.04 per cent, which ratio was used by Post Office Department in apportioning general expenses and taxes to passenger service.

Passenger operating expenses as arrived at by company on revenue train mileage basis.

TABLE G.—*The Baltimore & Ohio Railroad Co. earnings and expenses of mail service, year ended June 30, 1913.*

[POST OFFICE FORMULA.]

| Summary of results. | Total. | Conducting freight traffic. | Ratio. | Conducting passenger traffic. | Ratio. | Assignable to mail traffic car-foot space, railroad figures 9.81 per cent. |
|---|---|---|---|---|---|---|
| Operating expenses: | | | | | | |
| Maintenance of way and structures | $14,019,619.57 | $10,468,806.88 | 74.67 | $3,550,812.69 | 25.33 | ..... |
| Maintenance of equipment | 18,323,210.39 | 15,352,396.78 | 83.79 | 2,970,813.61 | 16.21 | ..... |
| Traffic expenses | 2,026,273.88 | 1,255,326.31 | 61.95 | 770,947.57 | 38.05 | ..... |
| Transportation expenses | 37,274,397.06 | 28,530,920.31 | 76.54 | 8,743,476.75 | 23.46 | ..... |
| General expenses | 2,136,137.08 | 1,706,464.61 | 79.89 | 429,672.47 | 20.11 | ..... |
| Outside operations | 2,648,171.61 | 2,030,946.43 | 76.69 | 617,225.18 | 23.31 | ..... |
| Total operating expenses | 76,427,809.59 | 59,344,861.32 | 77.65 | 17,082,948.27 | 22.35 | ..... |
| Taxes | 3,113,382.51 | 2,517,792.44 | 80.87 | 595,590.07 | 19.13 | ..... |
| Hire of equipment | 627,138.55 | 460,502.70 | 73.43 | 166,635.85 | 26.57 | ..... |
| Miscellaneous rents (joint facilities) Dr | 979,652.08 | 474,662.25 | 48.45 | 504,989.83 | 51.55 | ..... |
| | 81,147,982.73 | 62,797,818.71 | 77.39 | 18,350,164.02 | 22.61 | ..... |
| Less miscellaneous rents (joint facilities) Cr | 1,065,493.00 | 861,664.19 | 80.87 | 203,828.81 | 19.13 | ..... |
| Total operating cost | 80,082,489.73 | 61,936,154.52 | 77.34 | 18,146,335.21 | 22.66 | 1,780,155.48 |
| Total operating revenue, including outside operations | 103,329,992.33 | 83,560,745.84 | 80.87 | 19,769,246.49 | 19.13 | 1,205,158.95 |
| A. Net return from operation | 23,247,502.60 | 21,624,591.32 | 93.02 | 1,622,911.28 | 6.98 | [1] 574,996.53 |
| Interest on funded debt and other interest, less income other than from operation | 9,865,391.21 | 7,978,141.87 | 80.87 | 1,887,249.34 | 19.13 | 185,139.16 |
| B. Net balance | 13,382,111.39 | 13,646,449.45 | 101.98 | 264,338.06 | 1.98 | [1] 760,135.69 |
| C. Property investment | 517,123,131.00 | 418,197,476.04 | 80.87 | 98,925,654.96 | 19.13 | 9,704,606.75 |
| Ratio of return upon property used— | | | | | | |
| A divided by C | 4.50 | 5.17 | ..... | 1.64 | ..... | 5.92 |
| B divided by C | 2.59 | 3.26 | ..... | .27 | ..... | 7.83 |

[1] Excess cost mail service over revenue.

TABLE H.—*The Baltimore & Ohio Railroad Co. earnings and expenses of mail service, year ended June 30, 1913.*

[Buell formula.]

| Summary of results. | Total. | Conducting freight traffic. | Ratio. | Conducting passenger traffic. | Ratio. | Assignable to mail traffic car-foot space, railroad figures, 9.81 per cent. |
|---|---|---|---|---|---|---|
| Operating expenses: | | | | | | |
| Maintenance of way and structures | $14,019,619.57 | $10,810,433.68 | 77.11 | $3,209,185.89 | 22.89 | ..... |
| Maintenance of equipment | 18,323,210.39 | 15,326,803.71 | 83.65 | 2,996,406.68 | 16.35 | ..... |
| Traffic expenses | 2,026,273.88 | 1,255,326.31 | 61.95 | 770,947.57 | 38.05 | ..... |
| Transportation expenses | 37,274,397.06 | 30,054,678.32 | 80.63 | 7,219,718.74 | 19.37 | ..... |
| General expenses | 2,136,137.08 | 1,746,188.10 | 81.75 | 389,948.98 | 18.25 | ..... |
| Outside operations | 2,648,171.61 | 2,030,946.43 | 76.69 | 617,225.18 | 23.31 | ..... |
| Total operating expenses | 76,427,809.59 | 61,224,376.55 | 80.11 | 15,203,433.04 | 19.89 | ..... |

TABLE H.—*The Baltimore & Ohio Railroad Co. earnings and expenses of mail service, year ended June 30, 1913*—Continued.

| Summary of results. | Total. | Conducting freight traffic. | Ratio. | Conducting passenger traffic. | Ratio. | Assignable to mail traffic car-foot space, railroad figures, 9.81 per cent. |
|---|---|---|---|---|---|---|
| Taxes | $3,113,382.51 | $2,517,792.44 | 80.87 | $595,590.07 | 19.13 | ..... |
| Hire of equipment | 627,138.55 | 460,502.70 | 73.43 | 166,635.85 | 26.57 | ..... |
| Miscellaneous rents (joint facilities), Dr | 979,652.08 | 474,662.25 | 48.45 | 504,989.83 | 51.55 | ..... |
| | 81,147,982.73 | 64,677,333.94 | 79.70 | 16,470,648.79 | 20.30 | ..... |
| Less miscellaneous rents (joint facilities), Cr | 1,065,493.00 | 861,664.19 | 80.87 | 203,828.81 | 19.13 | ..... |
| Total operating cost | 80,082,489.73 | 63,815,669.75 | 79.69 | 16,266,819.98 | 20.31 | $1,595,775.04 |
| Total operating revenue, including outside operations | 103,329,992.33 | 83,560,745.84 | 80.87 | 19,769,246.49 | 19.13 | 1,205,158.95 |
| A. Net revenue from operation | 23,247,502.60 | 19,745,076.09 | 84.93 | 3,502,426.51 | 15.07 | [1] 390,616.09 |
| Interest on funded debt and other interest less income other than from operation | 9,865,391.21 | 7,978,141.87 | 80.87 | 1,887,249.34 | 19.13 | 185,139.16 |
| B. Net balance | 13,382,111.39 | 11,766,934.22 | 87.93 | 1,615,177.17 | 12.07 | [1] 575,755.25 |
| C. Property investment | 517,123,131.00 | 418,197,476.04 | 80.87 | 98,925,654.96 | 19.13 | 9,704,606.75 |
| Ratio of return upon property used: | | | | | | |
| A divided by C | 4.50 | 4.72 | ..... | 3.54 | ..... | 4.03 |
| B divided by C | 2.59 | 2.81 | ..... | 1.63 | ..... | 5.93 |

[1] Excess cost mail service over revenue.

TABLE I.—*The Baltimore & Ohio Railroad Co., earnings per mail car-mile based on earnings per passenger car-mile year ending June 30, 1913.*

| | |
|---|---|
| Passenger earnings | $19,769,246.49 |
| Passenger car-mileage | 88,336,782 |
| Earnings per car-mile | $0.22379 |
| Mail car-miles | 7,885,026 |
| Mail revenue, based on earnings per passenger car-mile | $1,764,589.97 |
| Mail revenue received | $1,205,158.95 |
| Underpayment mail compared with passenger | $559,431.02 |
| Per cent of mail revenue received | 46.42 |

The CHAIRMAN. Mr. Mack, are you prepared with your statement?

Mr. MACK. I haven't got the complete statement finished, but I think it can be finished to-morrow morning. The statement ought to be read and followed along consecutively in order to be understood, and it all ought to be read at one time. As there is to be a session to-morrow morning, I understand, it will be much more satisfactory if it can be arranged for me to present my paper then.

The CHAIRMAN. Are there any other gentlemen present who would like to have anything to say?

Mr. BRADLEY. Mr. Chairman, before we adjourn I would like to ask a question on the express-rate matter. This morning, when I questioned General Stewart in regard to the computations of the department in volume No. 11 regarding the gross revenue received from the railroad companies from the express traffic, instead of the

mail traffic, I asked whether the difference in the average haul was taken into account, and I understood General Stewart to say that it was. I have been examining pages 1277 and 1278 casually since that conversation, and I do not find it. Will General Stewart kindly point that out?

Mr. STEWART. Yes. The ton-mile rate in the mail service of 10.04 cents takes into acount, of course, the average haul, and the ton-mile rate in the express figures here also takes into account the average haul, which is stated on page 1279.

Mr. BRADLEY. The observations I would submit in regard to that computation from a casual examination of it are, first, that the average rate per ton-mile is ascertained upon slender data. It is the same situation that I had to deal with when I prepared a paper about a year ago in trying to find out for your committee the relative earnings per ton-mile from the express and from the mail. The statistics available are very few. I judge that in this computation reliance has been had upon the reports for two days' business. The Adams Express Co., I believe, for one day in August, 1909, and the United States Express Co. for one day in December, 1909; and therefore the business taken as establishing the average haul only included about 15 per cent of the total traffic. So that the ascertainment is not on a basis that would lead one to accept it as being at all conclusive. It may be right, but I am inclined to suspect that it is not. The second step in this computation seems to be based upon the ton-mileage of the mail. That is, having ascertained from the slender data that I have already spoken of the approximate rate per ton-mile for express, the department has applied that factor to the ton-mileage of mail service as of April 30, 1913. When I first read that statement of 510,000,000 ton-miles in volume 6 of Dr. Lorenz, I seriously doubted if it could be correct, and at that time I spoke to Mr. McBride and asked him whether he had verified the figures, but he felt content that the ascertainment as made by the department was correct. I do not know whether the department has been able to verify those figures, but in attempting to test the accuracy of those figures I make this comparison: I understand that on July 1, 1908, the department reported to the Hughes commission that the total annual ton-mileage of the mail was 489,000,000.

Remembering that that was of July 1, 1908, and this ton mileage is given as of April 30, 1913, almost five years later, there has been a growth of 21,000,000 ton-miles, or only 4 per cent. That seems to be a very small growth compared with other mail statistics that are known. The weight of second-class mail matter for the year 1908 was 694,000,000. For the year 1913 it was 997,000,000, a growth of 302,000,000 pounds, or 43 per cent, and second-class mail matter is apt to be of long haul. In reflecting upon this I think there are two causes that might account for the smaller growth in the ton mileage since 1908 than in previous years—one the application of the divisor and the other the transfer of a certain percentage of second-class mail to the blue-tag shipments—but I think any calculations made in regard to both of those causes would not account for the difference that is represented in so small a growth of only 4 per cent in the ton mileage, as compared with the growth of 43 per cent in the second-class mail matter. The Post Office Department calculation having obtained a total of $40,000,000 by the use of the figures I have just described,

then proceeds to ascertain the average loading per car, and this is based again on the figures of the Interstate Commerce Commission for express statistics that I have already referred to as being not sufficiently comprehensive. I do not believe that they are on a firm foundation. The conclusion arrived at, that the express-car loading of 2.57 tons and the loading of the mail car as 2.26 tons, does not appeal to the mind of a railroad man as arriving at a correct conclusion. Further, it will be observed that in these other statistics, it is estimated by the department that there were 225,000,000 car-miles pro rated to a 60-foot car basis as of November, 1913, while Dr. Lorenz, in volume No. 6, has 228,000,000 car-miles as representing the 60-foot car mileage of the mail service as of 1909.

Dr. LORENZ. That raises the question as to what is included in the 225,000,000 miles. As I understand, it includes no dead space.

Mr. WORTHINGTON. Might I also add that Dr. Lorenz's figures refer to only 84 per cent of the road mileage and 94 per cent of the present earnings, which figure was divided into the total ton mileage for all the mail routes to obtain an average load per car. The ton mileage was not complete?

Dr. LORENZ. I recognize the proportion was too high.

Mr. BRADLEY. I do not wish to set forth any final conclusions on this subject at all, because these calculations I made were simply made within a short time while listening to this testimony, but I think that there is enough in what I have said to suggest the importance of a verification before any acceptance is given to the conclusions of the Post Office Department.

Mr. STEWART. Mr. Chairman, of course we realize the interest that Mr. Bradley has in this question, because he is already on record, somewhere, with reference to the ton-miles, having based his estimate, as he states, upon information which was given to the Hughes commission. I notice, however, that he has suggested the main factors which account for the difference between the figures of 1908 and the figures of 1913, namely, the application of the divisor to the pay which began July 1, 1907, and therefore prior to July 1, 1908, had become effective in only one section of the country. The withdrawal of second-class mail matter from the main mail routes and the sending of it by fast freight of course reduced the ton-miles very materially. Another factor which I do not think he mentioned is the reduction in car space which has been effected by administrative orders between those years and which amounts to 955,690,000 car-foot miles. This, of course, would have a bearing upon the subject. So far as the figures submitted for April 30, 1913, of 510,827,522, are concerned, I will say that those are the result of actual computations upon the data in the files of the department. There is no estimate upon this, and there is no necessity for verification.

The CHAIRMAN. How was that data obtained?

Mr. STEWART. Those data were obtained at the time of the weighing in each section.

The CHAIRMAN. Then, the data is for the period of the weighing?

Mr. STEWART. Yes, sir. As to the 255,633,845 car miles pro rated to the 60-foot car basis, that estimate is also made upon the best information to be gathered from the records of the department, showing the conditions of the service at the time it was made.

Dr. LORENZ. Does that include mail space used, or does it include something else actually run?

Mr. STEWART. It includes the actual space authorized.

Mr. WORTHINGTON. It does not include the dead space?

Mr. STEWART. Mr. McBride, what does the 225,000,000 car miles specifically include?

Mr. MCBRIDE. It includes the car mile figures from the authorized space in each train.

Mr. STEWART. It also includes the return movement of all storage cars.

Mr. MCBRIDE. I will correct that. Not as to all storage cars, because the storage-car miles were computed from the car foot miles in Document 105. It includes approximately 40 per cent of the return storage-car movement.

Mr. WORTHINGTON. In other words, any rate obtained from that divisor would exclude dead space and it would not be comparable with the load for the express car, which might include dead space in the express service. It seems to me it would not be comparable with the load for the express car, which might include the dead space consequent upon handling express.

Mr. STEWART. If you mean by that that it does not take account of dead space the companies are running which the department does not need and does not use, I agree with you.

Mr. BRADLEY. I would ask whether Gen. Stewart is able to attribute a value to those causes which he has mentioned—for instance, the divisor—could he venture an opinion as to what influence that would have upon the reduction in the ton mileage?

Mr. STEWART. The only guide that I would have is the reduction accomplished in the pay to the railroad companies. The annual reduction, I think, amounts to nearly $5,000,000. At the time the statistics were submitted to the Hughes commission the divisor had become effective only in the third contract section, and on a rough estimate three-fourths of the total reduction is unaccounted for in the result.

Mr. BRADLEY. Say 7½ per cent. Could you offer an opinion in regard to the blue tag?

Mr. STEWART. No; I would not care to do that offhand.

Mr. BRADLEY. I would like to suggest in regard to the computation of car mileage as of November 30, 1913, I think that it is quite likely that it would be difficult for the department to make a satisfactory estimate, because of the inability to get a correct record of the storage-car movement, especially the additional storage-car movement, without actually going to the companies or to the Railway Mail Service and having the records kept. There has been a great growth in that class of service, largely due to the growth of the parcel post. If the computation was made from the railway post-office schedule made in the Railway Mail Service that is supposed to report the usual conditions, I do not think that an accurate estimate could be obtained.

Mr. STEWART. We differ from Mr. Bradley on that. Furthermore, we would hardly take the chance of making a mistake on these figures without safeguarding ourselves in every way, inasmuch as we are dependent upon them for our judgment as to the effect of these rates proposed in the suggested bill.

Mr. BRADLEY. There is such an extraordinary difference in the figures on the ton mileage of 4 per cent, compared with the second-class mail matter, which shows a growth in the same period of about 43 per cent, that I think it important to have any verification made that is feasible.

The CHAIRMAN. How is that computation of 43 per cent increase in second-class mail matter made—on the revenue received, or is it made on the weighings?

Mr. MCBRIDE. Made on the basis of revenue, which is coincident with the weight, because the rate is a cent a pound.

Mr. BRADLEY. It is one of the most dependable ratios in working out any problems of this kind.

Mr. MCBRIDE. I think we have a compilation at the department of ton mileage of blue-tag matter for a year, and if we have I would be glad to submit it.

The CHAIRMAN. You say it is on the revenue, which depends on the weight ascertainment?

Mr. MCBRIDE. Yes.

The CHAIRMAN. The divisor is applicable to second-class mail matter as well as third and fourth?

Mr. MCBRIDE. Yes.

The CHAIRMAN. Then, why should there be an increase of 43 per cent on second-class matter, while there is only 4 per cent during the period mentioned by Mr. Bradley?

Mr. MCBRIDE. One of the reasons, as Mr. Stewart has stated, was on account of the withdrawal of a great part of the second-class matter, and the moving of it in freight trains, which amounts, if my recollection is correct, to about 90,000,000 ton-miles for that year. I will verify that, however.

The CHAIRMAN. That is blue-tag diversion?

Mr. MCBRIDE. Yes.

The CHAIRMAN. Would that account for that seeming discrepancy?

Mr. BRADLEY. I would suggest that Mr. McBride have opportunity to look up his authority. I do not think he would like to have ninety million rest in the record.

Mr. MCBRIDE. I said that I would verify it.

The CHAIRMAN. But, with the verification of that, would that clear up that point that you raised yourself?

Mr. BRADLEY. It would help, but I doubt if all the blue-tag matter in the country in the second and third sections—this is merely a personal opinion—would exceed 50,000,000 ton-miles.

Mr. MCBRIDE. We can figure that absolutely. We have record of every pound that was moved. There is no guesswork about that. I find that the ton-mileage of the blue-tag mails amounted, for 1913, to 42,623,102 ton-miles.

Mr. STEWART. So far as the effect of the divisor is concerned, Mr. Bradley has probably overlooked the fact that the change of divisor decreased the total of ascertained average weights 16 per cent where applied.

Mr. LLOYD. Mr. Chairman, I would like to have in the record again what is dead space and what is dead-head space. I believe that has been stated twice, as I remember it, but when this is to be

investigated hereafter, it is very necessary to get that into the record, because very few persons know the difference.

The CHAIRMAN. According to the post-office classification.

Mr. STEWART. Speaking generally, and I will say that the record is more specific, dead space as it appears in Document 105, and as the subject of discussion here, is that space in cars reported by the railroad companies and charged to the mail service which the department determined was operated for the convenience of the railroad company without a necessary connection with the mail service, or space operated in excess of the authorization made by the department and operated for the convenience of the railroad company, or operated for some reason for which the department is not responsible. In some cases it consisted of the operation of a full 60-foot car where the department asked for only 30 feet of space. Sometimes it represented the operation of a car beyond the terminus of an authorized line. In other cases it represented the operation of a car over a rail line where no mail service was authorized to be performed and sometimes it was the operation of an apartment car over a line on Sunday where no railway post office service was performed on Sunday although performed on week days. Those cases the department determined were not properly chargeable to the mail service and the space involved was designated as dead space and charged to the passenger service. Dead-head space is space which was operated by the companies in excess of the immediate needs of the service, but which the department believed the mail service was properly chargeable with as being incidental to the operation of the authorized service as, for instance, where a 60-foot car was authorized in one direction and a 40-foot car in the opposite direction. If that necessitated the operation of a 60-foot car in each direction, it was thought that the mail service should be charged with the entire space both ways, therefore the additional 20 feet in the return movement was designated as dead-head space and charged to the mail service; that is combined with the mail space but set out separately so that Congress might know what the dead-head space amounted to in its relation to the rest of the service.

Mr. WORTHINGTON. Did you mention the return of empty storage cars and in what attitude they were placed, those not used by the railroads?

Mr. STEWART. The storage cars not used by the department were charged to dead space.

Dr. LORENZ. If the department needed a 10-foot apartment and the company furnished an 11-foot apartment, that 1 foot was charged to dead space?

Mr. STEWART. Yes.

Mr. BASKERVILLE. In case of a transcontinental train you authorize a 60-foot car over part of the route, 40-foot over another part, 30-foot over another part of that route, etc. You started out with a 60-foot car, and I would like to know how was the 40 feet handled on the second lap and the 30 feet on the third lap, and then the 50-foot car on the last lap? Is that chargeable to dead space?

Mr. STEWART. If we had a case like that, and we might have, the space actually authorized would be charged to the mail service.

Mr. BASKERVILLE. Then you would argue that the railroad companies should keep at these points the different sized cars, and that they should break up the trains at all these places?

Mr. STEWART. I did not argue anything of the kind. That is the application of your rule which I want to bring out before this committee, a point which has not been dwelt upon sufficiently, and that is this: That the railroad companies have been holding the department to the strictest rule with reference to all space operated during November, 1909, as being the proper measure of service upon which to gauge railway-mail pay. That is too strict a rule against the department. We should regard the statistics of 1909 more in this sense, that it is a proper guide to the ascertainment of the space which the mails ought to occupy under a good administration as being a proper gauge for the payment which the United States should make to the railroad companies for the service. Now, if it should develop that here and there throughout the railroad mail service, through lax administration on the one hand or through a liberal policy on the other hand, that there was more space operated to accommodate the mail service than the department ought to pay for, I do not think that that is a valid reason for this commission to make a finding that the cost of the mail service should be based upon an inclusion of such large amount of dead space.

The CHAIRMAN. I would like to return to your original definition of dead space. At the conclusion of your definition you stated, as I remember, that you did not allow that which was claimed by the railroads which you claimed was chargeable to the passenger service. Why did you charge it to the passenger service?

Mr. STEWART. We charged that to the passenger service because the responsibility as to how the trains shall be made up and operated rests entirely with the railroad companies. The railroad company has that responsibility and if it operates dead space for which the department is not responsible, it should take the charge of that space in any apportionment of cost. That space represents expense just the same as other space, and if the department should not be charged with it the railroads who are responsible for the running of it should be.

The CHAIRMAN. For the value of any comparative figures between passenger and mail service, it seems to me that you should not charge the passenger service with dead space that was in some way used in the mail service if you decline to charge to the mail dead space that was used in some way in the passenger service.

Mr. STEWART. I do not think that follows at all. Take just such a case as I have mentioned, where a railroad company will run a 30-foot car over a mail route which, we will say is 50 miles long, and they have a system that covers 150 miles. Beyond the authorized line they find it convenient to run that car down over several routes over which they have no mail service until they strike another route upon which there is mail service. Suppose they charged to us, as they did in one instance, the operation of that car over the whole line? Why should the department pay for that?

The CHAIRMAN. You are perfectly sound on that.

Mr. STEWART. Those are cases such as I have mentioned.

The CHAIRMAN. But suppose you call for a 60-foot car and they furnish you a 60-foot car, and then you call at the end of the route for a 40-foot car and they haven't got a 40-foot car and they can only give you a 60-foot car and that goes 200 miles over the route. They do not use that 20 feet extra space in any way, shape, or form, and, if not, why should the passenger service be charged with that 20 feet of space when it gets no benefit from it or earns nothing from it?

Mr. STEWART. The passenger service could not be charged with it excepting to form a basis for ascertaining the division of expenses. If anybody pays for the expense, certainly the passenger service or the railroad company should pay for it.

The CHAIRMAN. But in making your comparison between passenger and mail, if you debit for the mail why not debit for the passenger as well and throw it out of both computations?

Mr. STEWART. We were not making an ascertainment for passenger service and it was not incumbent upon us to do that. We take the passenger service as a whole and it makes no difference for our purpose how much passenger dead space there is in the passenger service, because we compare the whole of that with the mail. We did not make any attempt to ascertain the passenger cost.

Dr. LORENZ. You ascertained the passenger revenues as 4.16 mills, did you not.

Mr. STEWART. We did not make any ascertainment of that, but later the hearings brought out some ascertainment of that kind.

Mr. LLOYD. Suppose having started from St. Louis to Galveston, Tex., with through mail in a 60-foot car, you find that the service beyond Texarkana does not need more than a 40-foot car and you require of the railroad company a 40-foot car at Texarkana and from there to Galveston, what kind of a credit would you give the railroad company?

Mr. STEWART. For the 20 feet?

Mr. LLOYD. Yes.

Mr. STEWART. Under our suggested plan it is altogether likely that the additional 20 feet would be taken up. There would probably be sufficient mails to occupy the 20 feet in excess of the 40 feet needed for distribution purposes, so the authorization would probably be for a 60-foot car through. This question enables me to point out the difference between the use of space under the present system and under the proposed system. The reason this question is continually recurring here, of differing authorizations of 60-foot car, 50-foot car, and 40-foot car over different parts of a through line, is that we are paying for space now in addition to weight, and under the law authorizing us to pay additional money for space for distribution purposes we pay specifically for units of space of 60 feet, 50 feet, and 40 feet. That brings about this seeming inconsistency that we will pay for 60 feet for a certain distance and for 50 feet for another distance. That is because we do not need the 60 feet for distribution purposes and 50 feet is sufficient, for which we pay. These differences, you understand, are the result of the present system of paying additional money for distribution space.

Mr. LLOYD. As I understand you, under the proposed bill that could not be.

Mr. STEWART. Probably would not be.

Mr. LLOYD. I want to get at the question whether it would or would not. The railroad companies claim with reference to your bill, that the matter is left open and it is susceptible of that construction. I want to get your idea, if you demanded a through mail car from St. Louis to Galveston, a 60-foot car, whether you are going to pay for that 60-foot car to Galveston and back again or would you pay the railroad company for a 60-foot car to Texarkana and then pay for the same car with 40 feet of space in the same car from Texarkana to Galveston and from Galveston back to Texarkana?

Mr. STEWART. If we did not need more than 40 feet for all purposes——

Mr. LLOYD. Then you would not start with but 40?

Mr. STEWART. We would pay for only 40.

Mr. LLOYD. But you would only start with 40 if you only needed 40. The proposition I put to you is that you start with 60 feet because you need 60 feet as far as Texarkana and you did not need 60 feet beyond that point.

Mr. STEWART. If we did not need 60 feet beyond Texarkana, for all purposes, we would expect to pay for only such space as we needed, say 50 feet or 40 feet.

Mr. LLOYD. You would not want the mail transferred from one car to another, but you would expect to use the same car. Then why should not the railroad company get paid for it if space is the basis of pay?

Mr. STEWART. That brings up the question as to what consideration should be given to the necessities of operation.

Mr. LLOYD. Now, let's go back to the comparison of cost, because, after all, we must consider that question of comparison. Is that 20 feet properly chargeable to passenger service from Texarkana to Galveston? Why should you charge it to the passenger space? The passenger space is in no way interested in it at all, the railroad company is not interested in 20 feet of space and it is only there because you order it and it seems to me as long as you ordered it your bill ought to require, whether it does or not, that the Government should pay for the 60-foot car that you required from St. Louis to Galveston.

Mr. MCCAHAN. We have a case right now of a full car, 50 feet, running from Washington to Grafton. The operating run of the train is through to Cincinnati, but when it gets to Grafton, then the service changes to apartment-car service. It is almost an operating impossibility to give the department what they require at Grafton. We must necessarily operate that car clear through to Cincinnati.

Mr. LLOYD. What I am trying to impress upon you is, if you are required to carry that car through to Cincinnati, you ought to get pay for it?

Mr. MCCAHAN. Well, we do not.

Mr. BASKERVILLE. We have a 60-foot car from St. Paul to Fargo, they use 40 feet from Fargo to Glasgow and 30 feet from Glasgow to Spokane.

Mr. LLOYD. I do not think you railroad people have any right to complain at the present time because you are insisting upon the present system of pay. Now, we are talking about changing this system and if it is changed to a space basis, my idea is that the Gov-

ernment ought to be placed in the position that if space is the basis of pay, that it shall pay for the space that it demands. Now you get your pay on the basis of weight and space only comes in connection with the railway post office car.

Mr. BASKERVILLE. What I was trying to find out was how he made his computation for document 105 to measure this question of the 60 foot, 50 foot, 40 foot, 30 foot and then back over to 50 feet on one train. Naturally he reduces his distribution space, for which he is paid for but 30 feet at Glagow, but the storage mails are there, the mails are there that we have had in the 60-foot car.

Mr. MACK. I think in the analysis of dead space, which comes up to-morrow in connection with the Missouri Pacific, which has been presented by the department as a typical case that all of this will be explained and dealt with in detail and in a consecutive way.

Mr. LLOYD. Very well, then; I am willing to wait until to-morrow.

Mr. ROWAN. In the case you illustrate of the car that went from St. Louis to Galveston, I would like to ask Mr. Stewart how long it would take, under ordinary circumstances, to tie out, supposing the railroads transferred the mail at Texarkana, and put it into a 40-foot car if it were available? In other words, how long would it take to tie up the mail before it reached Texarkana, and how long would it take to set up the pouches and label the sacks for the 40-foot car starting out from Texarkana?

Mr. STEWART. That is a Railway Mail Service technical question I am not prepared to answer, but it suggests this further consideration that it is just as much to the interest of the railroad companies to run that car through as it is to our interest, because it is an expense to have to change the train and put in a new car.

Mr. ROWAN. I want to bring out the point that it is to the interest of the Post Office Department as much as it is to the railroads.

Mr. STEWART. What we insist on is as much to your interest as ours.

Mr. ROWAN. In case you change the authorization of a car in the middle of a run, it would not be a practical thing to set the car out and put a different sized car in, even if we had cars available.

Mr. STEWART. Therefore I think that question Mr. Lloyd put a while ago, as to what you do in a case of that kind, is answered by the fact that companies now furnish cars under authorizations of different lengths, and that you are insisting now upon the present basis of pay. If you are doing that you are apparently satisfied with the condition that now exists. I do not see that we should make any different rule as to space if we go on the space basis.

Mr. LLOYD. If we change the present law we want to do the right thing toward everybody. I do not want to see any law enacted that works any hardship on the railroad companies; they are a part of the country and a very necessary part of the country, and you want to deal as fairly and honestly with the railroad companies as you would with any individual, and any law that we enact in changing the existing law ought to be a fair, honest, and equitable law, with no disposition on the part of the railroad companies to take advantage of the Government or the Government to take advantage of the railroads. What we are trying to do now is to reach a satisfactory determination as to what is right in the ascertainment of pay. I am

speaking for myself, and I am sure I am speaking for the commission when I say that we have no bias on either side. We want to do the fair thing, and I know you want to do the fair thing. I do not hesitate to say that before the railroad people you want to do the fair thing. But I want to get at what you understand would be the practical application of the law that you propose to enact, because if what you propose becomes a law, then they would not get any pay excepting for space. The railroads are in no position now to complain, because they get pay for the weight and they are insisting that the basis shall remain that way; but if we change the basis to space, in doing the thing that is fair to them, it seems to me if we had through mail in the instance that I gave that we ought to pay for that full 60-foot car from St. Louis to Galveston and back, because the Government demands that space.

Mr. LORENZ. It might be pointed out, under Mr. Stewart's suggested bill, that if he changed the authorization at Texarkana he would have to pay the terminal charge for ending one route there and beginning a new route.

Mr. LLOYD. I appreciate that; but in the long run, in the instance I gave in the St. Louis and Galveston case, the terminal charge would be a small consideration.

Mr. STEWART. Mr. Lloyd, I think this is the important thing to consider in connection with the question that is in your mind. The practical operation of the service under the proposed bill will go further to eliminate that one criticism against the service as it stands to-day than any other plan that can be devised.

Mr. LLOYD. I am trying to get out of you how you are going to operate it.

Mr. STEWART. When we carry a 60-foot car down to Texarkana we have a 60-foot space authorized for distribution purposes; if we have a 60-foot car we have sufficient mail on that train to occupy more than 60 feet, some of which we are carrying somewhere else, probably in the baggage car, and after we reach Texarkana that mail, under the new plan, will be combined with the mail in the 60-foot car, and undoubtedly justify payment for 60 feet through. In other words, the authorization of the space would tend to require the 60-foot car all the way through, because then we would be paying for space and nothing else. Now we pay for weight wherever we carry it and for space only when we need it for distribution purposes. We would combine all elements of space under the suggested plan.

Mr. LLOYD. That is getting at another thing I was leading to in connection with the same proposition. In carrying the mail from St. Louis to Texarkana you might need a full 60-foot car and you might need a 30-foot apartment car. When you get to Texarkana you might need a 30-foot apartment car and it would come back to St. Louis. But that would not affect the 60-foot car at all. The railroad companies would get pay for a 60-foot car, as I see it, from Galveston and back, but that car used between St. Louis and Texarkana need not go farther than Texarkana, for when you get to Texarkana you put the mail that is in that apartment car in the 60-foot car. Now, what is the authorization? A 60-foot car to Galveston, a 30-foot car to Texarkana; but that 30-foot car, when it gets to Texarkana, turns around and comes back. Nobody is injured by

that proposition; but if, when you get to Texarkana, you say we do not need a 60-foot car, we want a 40-foot car, then it seems to me that you would work a hardship on the railroads if you only paid them for the 40-foot space between Texarkana and Galveston. That is plain.

Mr. STEWART. Yes; but you must bear in mind that our discussion on the different lengths of cars has reference to the existing conditions under the authorization of space that is needed for distribution purposes. If we adopt the proposed plan, authorizations will not depend primarily on distribution space, but we will combine all space necessary in the 60-foot car. We would not divide the mail up and put part in one car and part in another.

Mr. LLOYD. But you have seen several times a number of cases where these things appear to show these discrepancies; but it seems to me that you are right if your new system is adopted; there is no necessity for these discrepancies at all, for they are overcome, and, it seems to me, wholly overcome.

Mr. STEWART. That is our expectation.

Mr. LLOYD. If you have a through car to Galveston you are going to pay for a maximum car 60 feet; you pay for that to Galveston and back. If you have an additional car to Texarkana you would pay for the space you use to Texarkana and back, and there ought not be any trouble in adjusting that rate at all.

Mr. PETERS. Mr. Lloyd, would not that car that was used part storage car from St. Louis to Texarkana have to be set out of the train?

Mr. LLOYD. Yes.

Mr. PETERS. Your train is delayed getting rid of dead space and also delayed taking it on again when you come back. If not delayed, then the railroad, for the convenience of the department, has got to haul that empty space to the end of the train run.

Mr. LLOYD. The probabilities are, as a practical proposition in the instance I mentioned, there would be a readjustment of the train at Texarkana, you would readjust your train, you would readjust your passenger cars, and at the same time you would readjust them you would readjust the number of cars used in the train.

Mr. STEWART. Furthermore, they would have a need for part of that car themselves.

Mr. LLOYD. I am taking it for granted they would not need the car beyond Texarkana.

Mr. BASKERVILLE. My question was to find out how he treated this matter in compiling Document 105. In other words, did Mr. Stewart allow credit for the 60-foot car that we run through to Spokane?

Mr. LLOYD. I was trying to get at another proposition.

Mr. BASKERVILLE. We transfer mail into that car at Grand Forks and other points on the line. There was mail in there, but we got no credit for the storage space.

Mr. LLOYD. What I am trying to get at is, if we change this law how are we going to pay on a space basis? It seems to me under the proposed law the Government would be required to pay for a 60-foot car all the way.

The CHAIRMAN. That is, if the law was stated.

Mr. LLOYD. According to the law he proposes.

Mr. WADE. Dr. Lorenz's suggestion that there would be a terminal rate on this car if any change was made in the authorization leads me to wonder what the arrangement would be in a case of that sort, whether there would be a terminal charge or not on a car that was run through and no switching done or no mail transfer where a change in authorization occurred under the proposed law?

Mr. WORTHINGTON. There would not be under the proposed law from the way it reads. The terminal charge occurs only at the terminal of the car run.

Mr. LORENZ. The bill as it is drawn by Gen. Stewart provides that he may state the mail routes as he sees fit. If he states a route, of course he can not assume anything else. Personally I think the law ought to be amended on that point and should read that mail routes shall correspond, as near as practicable, with the actual run of the cars. That would cover this very difficulty.

Mr. STEWART. That is covered in the language of the statute sufficiently where we say we fix these terminal charges by car runs.

Mr. LORENZ. You would not in that case pay a terminal charge, but change the authorization.

Mr. LLOYD. That is a very nice point. I have studied that out. I may be wrong about that. I want Gen. Stewart's view on that point. My idea is in the case I have mentioned, in going through to Texarkana, that that car—not the train, but the 60-foot car—would get a terminal charge at the initial point, St. Louis; it would get pay for the terminal charge at Galveston, Tex. The 30-foot apartment car that I mentioned, that started at St. Louis, would get its pay at St. Louis for the initial service, and it would get its terminal charge at Texarkana, Tex.

Dr. LORENZ. I should say the bill was clearly defective if it permits a change in authorization without a terminal charge.

Mr. LLOYD. I am somewhat inclined to think that your view about the bill on that particular point is a valid criticism, and that is the reason I was trying to bring it out. I am not sure whether it is or not.

Mr. STEWART. I think not; if you will let me suggest this, that if you attempted to state routes with reference to the runs of the individual cars they would be very numerous. Under the operation of this proposed statute we would state a route between two main points which would most nearly coincide with the operation of trains and the operation of the Railway Mail Service, but there might be a car operated between, for instance, the initial terminal and an intermediate point which would receive its line pay and also its pay for the terminal charge at the initial point and the point at which the car ceases on its run on the same route. There would not be any complication about that.

The CHAIRMAN. Then it is possible that such a difference of conditions might have existed in the different years as, for instance, the fact that the railroads were underpaid or overpaid in the year 1909; that the reverse of that situation would be true in 1910, 1911, or 1912 or 1913?

Mr. STEWART. I do not have in mind such a change in conditions.

The CHAIRMAN. If they were underpaid or overpaid then, presumably they are now?

Mr. STEWART. I think they received liberal pay in 1909.

The CHAIRMAN. That is not the point. Would the same reason apply now that was applied in 1909, or would new factors have to be taken into consideration to come to any conclusion?

Mr. STEWART. I think you could very fairly come to a conclusion to-day from the status of 1909.

Dr. LORENZ. Suppose that in the interim the total weight of the mails, as carried, has increased considerably, thereby increasing the compensation to the railroads, or that the space has not increased in the same proportion. Would it not be true that the railroads might have been underpaid in 1910 and still not be underpaid to-day?

Mr. STEWART. On a space basis, that would be true.

Mr. WORTHINGTON. Do you not think the increase in railway operating expenses has something to do with it? Since 1909 there has been a large increase in ratio of operating expenses to operating revenue.

Mr. STEWART. That is an element that is worthy of consideration, but I do not see how it would be safe to attempt an ascertainment, supplementing it by these considerations at this time, without going over the whole process again.

Dr. LORENZ. It might be said that increase of expenses is one of the things the Interstate Commerce Commission is investigating at the present time.

Mr. WORTHINGTON. But the record shows there has been an increase in the ratio of operating expenses to revenue from 65 per cent in 1909 to nearly 72 per cent in 1913, and the first month of 1914 shows a very heavy fall in net earnings over January, 1913.

Mr. STEWART. I would like to say again that which I have suggested several times, that the further I have studied the matter the more am I convinced that the plan followed by the department in making an ascertainment of cost is very liberal to the railroad company.

The CHAIRMAN. That is, you mean the deductions based on Document 105?

Mr. STEWART. Yes.

The CHAIRMAN. Then you think that Table 7 is too liberal to the railroads?

Mr. STEWART. Not Table 7. That is specific data. I mean the application of the percentages to the expenses, both with reference to operating expenses and the overhead charges; the charges payable out of operating expenses; for instance, dividends and interest on bonded debt, and the plan of making the mails participate on the ratio of 6.68 per cent—the ratio of operating expenses and taxes to all operating expenses and taxes—in the cost of the extensive railroad plant including, for example, all of the expensive and ornate union stations and the great stations throughout the country, in which the mail service has a very remote interest. The plan adopted by the department makes the mail service participate on the same basis in all of those expensive appurtenances to the railroad business. I think it is very much too liberal, and if I were going to propose another ascertainment, I would be compelled, from what I believe to-day, to adopt a less liberal plan in that respect. For example, if you take the cost of railroad equipment—the cars—and make a comparison between the cost of passenger cars, including all other cars ex-

cepting mail cars, you will find that the ratio of cost is very much less than 6.68 per cent; in fact, not more than a little over 4 per cent. We have not participated in benefit in this ratio of 6.68 per cent in that actual investment of something like probably $308,500,000. That is charging to the mail service a greater ratio of the investment than the department is properly accountable for. Furthermore, we have applied that same ratio to every kind of investment, even to payment of interest on funded debt, which represents the extensive railroad plant throughout the country and to the dividends that the railroads have paid from their revenues.

The CHAIRMAN. Do you not participate in that? Would they be able to handle a thousand passenger trains a day if they did not have terminals for them? Could they handle 500 or 200 or 300? Does not the Government get the benefit of the more improved and efficient service, and are not those terminals necessary, and are they not a direct benefit to the Government and should not the Government participate in their proportionate part?

Mr. STEWART. They should participate, but not in that proportion.

The CHAIRMAN. I am speaking only for myself, but to my mind it seems to me in the terminal charge there should be no distinction; that the mail participates as much as any other branch of the business and thereby obtains a more efficient, better, and quicker service, if speed is one of your factors in the transportation of mails. It is one of the factors, is it not?

Mr. STEWART. Speed is one of the main factors. The mail service is not interested in expensive waiting rooms and all the expensive accessories which large union stations furnish to the public.

The CHAIRMAN. Does it not get the additional increased train service? Is not the increased service because of additional speed put on for handling the additional number of passengers?

Mr. STEWART. But we could handle that without these outlays.

The CHAIRMAN. No; not without the passenger service you could not.

Mr. STEWART. I think the passenger service could take care of itself without burdening the mails with these extra costs.

The CHAIRMAN. Very true, but you make that a line of cleavage upon which I am not convinced. It seems to me that the mail would benefit in terminals just as much, and it is entitled to the same percentage in proportion as any other charge in the mail or passenger transportation.

Mr. STEWART. Furthermore, on that point, while we are discussing it, I would like to call the committee's attention to the fact that I think it would be difficult to find any rate which has been fixed by a commission or by the railroads themselves upon the strict lines that we have suggested here. I have read all the works that I have found available in a short time upon rate making, and I find nowhere in the development of rates that the railroad companies have themselves fixed rates upon this very strict method which has been proposed here. In fact, it was suggested here this morning that many of the railroad rates are fixed upon expediency—what the traffic will bear—and we all know that there are many other considerations that enter into the subject, not only competition between the roads themselves but competition between the products, for instance, the products of the western coast of the United States competing with the products of

Florida, and the railroads give rates which enable the producer in California to get his oranges to New York just as readily as the producer in Florida can get his oranges there. Therefore all these things enter into the rate-making question. I think the committee should bear all these things in mind in considering this subject and not hold the department down to the strict rule of apportionment which has been discussed. We had to present something to the committee and we presented it in the most scientific manner we could devise. What I am suggesting is that that is strongly suggestive but not necessarily controlling. It was suggested here by Mr. Lloyd that we are launching upon a new era of rate making and that the United States should set a good example by fixing a scientific rate in this case. While I appreciate a consideration of that kind, I do not want it to unduly influence this committee in making a rate for mail service which would be based wholly upon a scientific theory, rather than to take into consideration some of these other elements that we have suggested and which we have shown all railroad companies take into consideration when fixing rates for the general public.

The CHAIRMAN. How much importance do you attach to the testimony and evidence that you submitted in reference to the express companies? I would like to get your idea as to what weight we should give in our consideration to the information submitted concerning the express operations? Do you think that the express charges should control the mail charges or, if not, to what extent should they effect them and how much?

Mr. STEWART. I can not escape the conclusion that the matter which we have presented upon that point is of special importance in connection with the question of rates. It is something definite and specific and the comparison is made, I think it is fair to say, with reasonable certainty for the first time. There was something said here this morning by Mr. Peters to the effect that this is a new question injected by the department during the closing days of the hearing, and I think it was suggested inferentially that the railroad representatives felt at a disadvantage in replying to what the department had submitted, but I notice throughout the hearings that the question of express rates as compared with mail rates has been discussed. Such mention is in the gentleman's paper submitted this morning. Citations are also made to volumes in which railroad rates have been discussed with relation to express and mail rates. Dr. Lorenz discussed what Senator Ashurst said on the floor of the Senate last year; and altogether it has been before the committee to some extent. The chairman will recall that he asked the department to submit views upon that very question, but I have not been able to present views which I thought were worthy of consideration until we took it up on this basis of comparison. Coming to the question of what they are worth, it seems to me they show, without doubt, that the rates which we have proposed in this suggested bill, are not generally too low. The question as to whether they are too high must turn upon a consideration of the extent of similarity between the two classes of service, and an appraisal of the value of the differences between them. What services do the railroad companies perform for the department which they do not perform for the express companies, and what is the fair value of such differences?

The CHAIRMAN. Do you not also have to have another premise that the present express rates are scientific, sound, and just?

Mr. STEWART. If we were going on a strictly scientific basis that would be correct, but I think we are entitled to the benefit of the condition that exists.

The CHAIRMAN. That is not the point. What I want to get at is this: To what extent, in your opinion, should consideration be given to the express operations in our conclusions relative to railway mail pay?

Mr. STEWART. It is a condition that exists in railroading and I do not see why we should not give full faith and credit to it.

The CHAIRMAN. Of how much importance; would it be a determinsame pay to the railway for the railway mail that the express company gives to the railroads?

Mr. STEWART. If the services were the same I would say that you would be justified in doing that.

The CHAIRMAN. That conclusion assumes a premise that the present rates are absolutely just and fair.

Mr. STEWART. Yes.

The CHAIRMAN. You are convinced that they are?

Mr. STEWART. I take it they are.

The CHAIRMAN. I believe that Mr. Kindel has something to say to us.

## STATEMENT OF HON. GEORGE JOHN KINDEL.

Mr. KINDEL. Mr. Chairman, for the past 20 years, being a resident of Colorado and a manufacturer, I have had occasion to study the question of transportation. I have been before the Interstate Commerce Commission since 1902 constantly, and finally have had myself elected to Congress. In the last and final effort to control and equalize express rates, you gentlemen remember, if familiar with the Interstate Commerce Commission hearings, I was the first man to attack the express companies after the Hepburn law was enacted, and have succeeded by two suits to reduce the rates from New York to Denver from $8.50 to $5.70 per hundredweight. In my next move I started in on the plan of parcel post rate graduates and zones that would be the means of insuring reasonable and relative rates. It has never been a question with me to get low rates, but only relative rates, never as to how high or how low, but we in the West object to being made the goat to pay from 100 to 300 per cent higher rates than in any other part of these United States, and that applies equally to freight, express, and parcel post as they are established to-day. I heard the discussion and have listened with much interest to the basis of rates. The express table that was brought out and perfected by Mr. Lane and his aids is one of the very best; it is scientific, but his basis of rate making is as faulty as anything we ever had to do with, because when we reach the one hundred and fifth meridian and go westward the express rates are based on a ratio of 23 as against 10 that prevail east of the Missouri River. In my labors to improve the parcel post I found one way, first, of taking the zones as you had established them, eight zones, by multiplying the pounds by the zones, adding three, and getting the rates. Manifestly the railroads are satisfied and the express companies are satisfied with the rulings of

the Interstate Commerce Commission as to express rates, and knowing that the railroads get about 50 per cent of the earnings of the express companies I made numerous comparisons of rates. I have made numerous tables with 90 points, with 30 points, and with 10 points, of which I brought one little 10-point table with me to show you how it works out.

In this case, knowing that the railroads are satisfied with the rates that are given them by the express companies, one-half, I would take that as a base rate. Here is a rate from Omaha to New Orleans; the rate per hundred pounds on express is $4.10. The parcel-post rate would figure out $6.02, if you had the 100 pounds weight limit. You can ship 50 pounds, or you can multiply the five 20-pound rates. Take the $4.10 rate, of which the railroad gets $2.05, and I say pay the railroads not $2.05, but 50 per cent higher; or another $1.02½ on top of the $2.05. Then, at the Postmaster General's foolish low rate of $1.04 per hundredweight for 150 miles, for which he now assumes he is paying the railroad 80 cents, he keeps the whole of it this time and the total rate would be $4.12 as against the express rate of $4.10. Now, you have paid the railroads 50 per cent more than they are getting from the express companies to-day and you are making Mr. Burleson's rate 80 cents greater than before, because he does not divide with anybody on his $4.10 rate or the 100 pounds. In the fourth zone it would be 4 times 100 plus 3, or $4.03. Mr. Burleson's rate on that would be $6.02. The railroads complain of being overburdened with parcel post. I deny it. I do not believe there are chumps enough in the country who will pay $6.02 to the post office when the express companies will carry it for $4.10. If it happens to be second class, they get 25 per cent off by express, so that in thousands of cases I could enumerate you will find the parcel-post rates to-day are 200 per cent and more higher than the express rates. That applies to territory east of the Missouri River. When you go west of the Missouri River in territory where the ratio is 23 to 10, it is a different story, because there they are pretty nearly equal. There, where the post office would charge $6.02, the express rate is $6.30. An express rate worked out on the basis I explained to you, to give them 50 per cent more; and applying Mr. Burleson's 100-pound rate would be $5.77 as against the present express $6.30 and against the parcel post of $6.02. My rate again in this case, multiplying the pounds by the zones, would be 5 times 100 plus 3, which would be $5.03, whereas the other is $6.30 and $5.77, respectively.

I have come here for the very purpose of seeing if we could not get something done, because I can not get Mr. Burleson or anyone else to listen to me. I tried going before the Interstate Commerce Committee and the Post Office Committee, and this is as far as I have gotten. In the determination reached in your parcel post investigation you have stated that there is an overhead charge on every parcel of 3 cents per parcel, so I added that to each, and it further does this: It prevents the reshipping without the penalty of at least 3 cents, whereas at Mr. Burleson's rate you can ship to every one of the territories beyond the third and save 95 cents on every hundred pounds. That is to say, he multiplies on his first pound, so you can ship one hundred 1-pound packages very much cheaper than you can ship a

100-pound package, while it ought to be the reverse. They apparently do not exercise the least bit of common sense, outside of our friend, Mr. Stewart, here, and he knows I am right if he dares say so. Mr. Stewart is one of the Republicans they have not dismissed because he has too much knowledge and brains; they need him. If there are any questions you want to ask further I will give you more data.

The CHAIRMAN. No. We are glad to have that.

Mr. KINDEL. If you want to find out the lowest express rate, take 25 per cent off on all eatables, which rule is not permitted on the parcel post rate. The express rates are so low in the East that you can ship to-day from New York to Des Moines, Iowa, 100 pounds (5 20-pound packages), and when it gets to Des Moines throw it into the post office, and it will take five 150-mile rural routes, and you will save over $5 on combination express and parcel post as against the all parcel-post rate.

Mr. LLOYD. In your judgment, does the express company get too much or too little for its service?

Mr. KINDEL. I think in parts of the country they get too little. In the eastern part I think the rate is abnormally low, and I think in our section it is so high that they knock themselves all out of business. Even the parcel-post rate is low on the 150-mile hauls. We do not want rates too low any more than we want them too high. To-day, from Denver to Newcastle, Colo., the freight rate is $1.40 per hundred, first-class rate. By parcels post we take the freight trains off and give you all baggage cars, and put it into the parcels post because we do it for $1.04. We talk about building tunnels to make freight rates cheaper. We do not need to. The same condition as to rates prevails all over the West, and I am glad to say I have the attention of the Senators. I am glad to bring it to your attention, for the truth can not be suppressed much longer.

Mr. LLOYD. I asked you the question whether in your judgment the express companies are receiving too much or too little, and you answered in some cases too much and in some cases too little. Would it be safe to base the mail rate on the express rate, or, in other words, to pay the railroad companies for carrying the mail about what they are paid for carrying the express?

Mr. KINDEL. First I would ask you what base you take, whether 1 pound, 10 pounds, or 100 pounds?

Mr. LLOYD. I am not taking any base, but the general proposition. If we pay the railroad companies as much for carrying the mails per hundred pounds as we pay the railroads for carrying the express per hundred pounds, would that be fair?

Mr. KINDEL. Well, I would give them more, especially if they handle the parcel post.

Mr. LLOYD. If you make the mail rate less than the express rate.

Mr. KINDEL. I would not do that.

Mr. LLOYD. Everything would go by mail in that event.

Mr. KINDEL. You can equalize these rates just that way, as I tell you.

Mr. LLOYD. I am getting at the other question. From your knowledge of the express rates, if the railroad companies get as much for carrying the mails per hundred pounds as they do for carrying the express per hundred pounds, on an average, is that just?

Mr. KINDEL. I do not see why it would not be fair, why they could not carry it as cheap for the Government as for express companies, under similar circumstances and conditions.

Mr. LLOYD. Why they do not at the present time.

Mr. KINDEL. I do not think they are getting paid at all for what they are doing on parcel post according to their statement.

Mr. LLOYD. You are speaking of the parcel post?

Mr. KINDEL. Yes.

Mr. LLOYD. I am speaking with reference to all mail.

Mr. KINDEL. I do not know anything about that.

Mr. LLOYD. You have not studied the question of railway mail pay at all?

Mr. KINDEL. No; I have not.

Mr. LLOYD. Except from the relation of parcel post?

Mr. KINDEL. Except in the relation of heavier merchandise traffic. I oppose 1-cent postage rate until we get through with the other matter.

Mr. BRADLEY. Observing your comments in regard to Commissioner Lane's project of express rates, that they were very scientific in construction, although the base was not acceptable, and remembering that that scale allows 21 cents for the first pound to the express company, while the parcel-post rate is based upon a 3-cent overhead charge such as you have used in your schedule, I would like to know what your opinion is as between these two primary rates?

Mr. KINDEL. The express companies insuring and making delivery was the cause of the Interstate Commerce Commission's liberality to them, but I believe that business ought to go through the Post Office Department.

Mr. BRADLEY. Would it lead you to think that the 3-cent overhead charge was adequate?

Mr. KINDEL. No; hardly. I would make that greater, to my mind, as I see it. But I take it because of reports by Senator Bourne and others.

The CHAIRMAN. We recommended a 5 per cent overhead charge.

Mr. KINDEL. There are a lot of these rates that I think are abnormally low, especially since he eliminated the 50-mile distance. Senator Bristow showed that very ably on the floor of the Senate the other day. To-day, gentlemen, the mail-order house and the express companies are making a carrier out of the Post Office. The Sears Roebuck people, of Chicago, engaged quarters in Denver for which they are paying $900 a month and which they are not occupying. I pointed out to them what they were going to run into on freight rates, and they are leaving the store vacant. They can better afford to do business from their Chicago store and redistribute by parcel post from Denver.

Mr. LLOYD. What is the necessity for paying $900 a month?

Mr. KINDEL. They made a contract, and the other party would not release them. They are still continuing to pay $900 a month. The Suit & Cloak Co. of New York are doing that very thing, putting their stamps on their goods before they leave New York by express, and when they get to the different points they are distributed by mail.

Mr. TUTTLE. Do they have distributing offices at these points?

Mr. KINDEL. Yes; and if a man will study that thing, on every 100 pounds he will save 95 cents.

Mr. TUTTLE. Is that the general custom of the mail-order house to-day?

Mr. KINDEL. Yes; I have been pointing it out to them. They will make a tool of the Post Office. I do not think I have anything further to say, Mr. Chairman.

Mr. STEWART. I have one other matter I want to present. The question has been broached as to what is the monetary value of these differences between the mail and express services. I have hoped the railroad representatives might submit something on that, but they did not do so this morning. The chairman asked me if I would do my best in getting information, and I have this to submit. I have here a statement from Exhibit No. 28 of the Interstate Commerce Commission, express tables of revenue and expense showing summary of total amounts paid to the railroad companies by express companies for the fiscal year ended June 30, 1911, and per cent of the several items to the total amount paid. The total express privileges, 1911—shown by the Interstate Commerce Commission's statistics of expenses, preliminary abstract—are placed at $73,956,450. That total amount is not yet accounted for, but the tabulation up to date shows this as the basis of the total involved. In this tabulation of $73,371,161.41, $69,429,471.65 was paid for what are known as express privileges. As I take it, that means the amount which the railroad companies receive from the express companies as their share of the express charge. So that something over $69,000,000 of the $73,000,000 is represented by this division of the express charge. The balance of it is scheduled as total other charges, $941,219.76. I take it that that amount represents the value to the railroad companies of the particular services which they render the express companies. It is itemized as follows, with their monetary value: Rent of buildings and grounds, $551,852.61; joint messenger service, $122,272.68; freight charges, $44,743.31; car mileage and rental, $844.99; switching service, $58,270.22; miscellaneous charges, $163,235.95; making a total of $941,219.76, which is 1.34 per cent of the total amount received by the railroad companies.

The CHAIRMAN. The entire revenue of the railroad companies?

Mr. STEWART. Yes; the revenue the railroad companies received from the express companies. It will be observed that these items correspond in nature to some extent, at least, to the stated differences between these two classes of service. It covers the amount the railroad companies receive from the express companies for rental charges, rent of buildings, and grounds; it covers the amount they get for joint messenger service and for the freight charges, and I take it that these services are outside of the contract services. It takes in car mileage and rental, switching charges, and miscellaneous charges. If we should go to the basis proposed in volume 8, it eliminates the difference which now exists between the services with respect to side and terminal service. I do not recall the other differences which have been named, but you will notice that the monetary value of the differences I have named amounts to about $941,000 a year.

The CHAIRMAN. Was there not a different suggestion with reference to the liability?

Mr. STEWART. Yes, sir.

The CHAIRMAN. Liability for death or injury to a postal clerk?

Mr. STEWART. Yes, sir. On that point I have something to submit. As I understand it, it has been claimed that the railroad companies are not liable for any damages for injuries which may occur to the express messengers. I notice that the case entitled "The Missouri, Kansas & Texas Railway Co., National Surety Co., and American Surety Co., of New York, plaintiffs in error, *v.* Ivolue B. West, in error to the Supreme Court of the State of Oklahoma," and brought to the United States Supreme Court, has just been decided. This was an action for damages by the widow of an express messenger against the railroad company. The messenger died as a result of injuries sustained by reason of a collision between a freight train and a passenger train in which he was engaged in his employment. The deceased was a joint employee of the railway company and the express company, his salary being paid by the express company, which drew a bill each month for half the amount on the railway company.

The messenger had executed the usual contract assuming risk of injury. In addition to that he contracted that he would ratify any contract which the express company would make with the railroad company limiting liability. This the State court held to be void, as against the public policy of Oklahoma and in contravention of the laws of the State of Kansas.

The railroad insisted that the messenger was an employee of a railroad company and therefore subject to the Federal employees' liability act. This was the question considered by the Supreme Court, which, however, sustained the holding of the State court that the deceased was an employee of the express company.

The material point of this case is that so far as the States of Oklahoma and Kansas are concerned contracts of this nature are either against public policy or in contravention of the statute.

While I have not looked up the decisions in other courts I am inclined to think that we would find the decisions the same in all the courts, that contracts of that kind are against public policy.

Mr. MACK. In that event I should think it probable that the express companies would necessarily stand by the contract.

Mr. STEWART. They were not made party defendants in this case.

Mr. MACK. But I should think the effect would be, if the employee won the suit, that the express company would be liable to the railroad company for the amount of damages under the contract, so that the railroad company would not have any liability that was not protected by the express company.

Mr. WORTHINGTON. I think the contracts contain clauses throwing liability on the express company for accidents to its employees.

Mr. STEWART. This is a direct adjudication that the railway is always responsible to the messenger.

Mr. LLOYD. While that might be true as between the railway company and the general public, the railway company and the express company have entered into a contract, and that contract is that the express company will bear all such loss. Now, if there is a judgment

against the railroad company the express company would be liable to the railroad company. If the judgment is against the express company, it is that which it is claimed is the liability of the express company.

Mr. MACK. But in no case is the railway company liable, because the express company has indemnified it.

Mr. LLOYD. That is, it is not liable as against the express company but against the general public.

Mr. STEWART. The judgment in this case was against the railroad company. I do not mean to say that the railroad company can not contract with the express company in such manner that the express company will be liable to the railroad company if the railroad company has to pay a judgment of this kind. The thing that impressed me further in this case was that the usual procedure of that kind was not followed—for instance, the railroad company did not bring the express company into the case, which, under a contract of that kind they had a right to do.

Mr. LLOYD. But the individual injury was settled by the railroad company?

Mr. STEWART. But the railroad company could come right back and bring the express company in as a party, so if the messenger got judgment it would go against the express company also.

Mr. SCOTT. They do not have to do that, because the express company agrees to save them harmless against any accident to their employees.

Mr. LLOYD. You would not say that an employee having sued a railroad company and having secured a judgment from the railroad company could now sue the express company?

Mr. MACK. No; but in case he had lost he would simply sue the express company.

Mr. LLOYD. I would doubt that very much, because I would say the case was res adjudicata, was disposed of; the employee was injured, he brought suit and lost.

The CHAIRMAN. General Stewart, in your suggested bill and suggested rates, did you give any consideration whatever to express charges in making up the suggested rate?

Mr. STEWART. No; we did not.

The CHAIRMAN. No consideration?

Mr. STEWART. We did not have that data before us when we submitted those rates.

The CHAIRMAN. And your rates were based primarily on cost ascertainment under Document 105, particularly Table 7.

Mr. STEWART. No; that can hardly be said, because you recall that Dr. Lorenz submitted to the committee a proposed bill based on the average passenger-car-mile revenue. We can only say that the rates are related in a manner to cost, but not primarily so. We go upon the assumption of Dr. Lorenz that the revenue per passenger-car mile is a safe basis and thus avoid the expensive and elaborate process of ascertaining cost each time.

The CHAIRMAN. So that the passenger revenue was more of a determinant factor than any other one factor in arriving at your suggested rate?

Mr. STEWART. Yes, sir.

Dr. LORENZ. It is interesting in this connection to notice the fair agreement, rather than the wide differences as we have seen them in many cases here. We have heard to-day from the railroad representatives that the railway mail pay committee estimated the express-car-mile revenue to be twenty-three and a fraction cents and General Stewart has told us that his ascertainment is twenty-one and a fraction cents, so we have the difference between them of less than 2 cents per car-mile. Of course, that amounts to a good deal, but after all it is a margin that is somewhat less than the other differences we have had.

Mr. WORTHINGTON. Our space figures are almost identical. The difference arises from the revenue from express into which space was divided. We took reports for November, 1909, received from the railroads, giving the express revenue for that month, while, as I understand it, General Stewart took one-twelfth of the express revenue for the fiscal year ending June 30, 1910.

Dr. LORENZ. But he also took one-twelfth of the mail revenue for that year.

Mr. WORTHINGTON. Not necessarily. Where the express revenue is available I think it should be used.

Mr. SCOTT. The difficulty about that is in taking the average for that 12 months. The actual traffic carried during the month of November affected the car-feet space.

Mr. STEWART. Not in express service.

Mr. SCOTT. I mean it affected it relatively as compared with other months; that is, November would not be a fair month so far as traffic is concerned any more than any other month.

Mr. STEWART. You did not change the car space after November, or before November, materially, did you?

Mr. SCOTT. The express-car space depends very largely upon the revenue. Take the Pennsylvania Lines, for instance, while I am not quoting the figures accurately, they will vary from $85,000 in one month to $130,000 in another month on one system.

Mr. LLOYD. But you would use the same space in carrying it?

Mr. SCOTT. Not necessarily so at all.

Mr. STEWART. How is your space arranged for?

Mr. SCOTT. We just load the cars up. We have no authorized space. We furnish whatever cars are necessary to carry whatever the express company delivers to us.

Mr. WORTHINGTON. In the fruit shipping season, for example, we ship practically whole carloads by express, which take additional cars, and we ship at times silk and horses, all of which affects the amount of space which would be chargeable to express in any particular month.

Mr. STEWART. And that itself varies from month to month?

Mr. WORTHINGTON. It varies some, but how materially I could not say.

Mr. STEWART. What do you call that space, dead space or deadhead space?

Mr. SCOTT. We never heard of the terms until the advent of document 105.

Mr. WORTHINGTON. I would like to make a few remarks on the use of comparative rates per ton-mile for express and for mail. I think

in discussing the express and mail rates on the ton-mileage basis we are losing sight of a factor which is the principal one justifying a lower ton-mile rate for express than for mail; that is, as applied to the entire traffic of either, this is the fact that in the mail service a large part of the mails have to be conducted in the railway post-office cars. The post-office facilities restricting the tonnage which the railways can carry in those cars and those cars also weighing, perhaps, 15 tons more of dead weight than the average express car. For that reason I think any comparison on a tonnage-mile basis of express and mail rates, taking the traffic as a whole, is not quite fair.

Mr. LLOYD. That would not be true of a storage car?

Mr. WORTHINGTON. No; not true of a storage car.

Mr. LLOYD. Would it be true of an apartment car?

Mr. WORTHINGTON. Yes. The car has the post-office facilities.

Mr. LLOYD. And the express in the same way?

Mr. WORTHINGTON. Not in the same space. It might in the same car, but the express part of that car would be available for much greater tonnage than the mail portion.

Mr. LLOYD. What are you getting at? Is the weight of the car the same? If part of it is used for mail and part for express, the car would have the same weight?

Mr. WORTHINGTON. But the weight of the fixtures is certainly chargeable against the mail and not the express.

Mr. LLOYD. The weight of the fixtures is not very much, because the weight of the express fixtures are, perhaps, as much as the weight of the mail fixtures, for I presume you would have a safe in connection with every express car.

Mr. WORTHINGTON. Yes.

Mr. LLOYD. That would be pretty near as heavy as the mail.

Mr. BASKERVILLE. Not a stationary safe. We only have stationary safes in a few cars, and the messenger carries a little hand safe.

Mr. MACK. Adverting to the question of rates to the proposed bill I would like to refer to the Denver & Rio Grande Railroad. For instance, Document 105 shows, on the space used by the department, a gain of $5,206 a month. On that basis the company would have been cut $62,400 a year. Under the proposed basis in volume No. 8 the loss to that company would be twice that, or $124,800 a year.

Mr. SNEAD. I should like to refer for a moment to General Stewart's remarks about $941,000 paid the railroads by the express companies, to say that this $941,000 does not include the amounts paid by the express companies to joint agents at stations where the agent is also the express agent. Neither did it include joint service of trainmen and baggagemen, because it did not include the payment to the employees where it was made by the express companies directly. In making this return the companies simply report in accordance with the commission's question, amounts paid to railroad companies, and the $122,000 did not include all payments for joint messenger service. That $122,000 did not include all the payments to joint employees.

Mr. STEWART. What relevancy would that have?

Mr. SNEAD. It would increase the relevancy. There must be a man on there.

Mr. STEWART. Does it save something which the railroad company would have to pay, or is it something extra the express company pays over and above what the railroad company pays?

Mr. SNEAD. It saves, unquestionably, what the railroad company has to pay.

Mr. STEWART. How can you make that definite?

Mr. SNEAD. By my own experience?

Mr. STEWART. Give us an example?

Mr. SNEAD. I do not know that I can give you an absolutely accurate example, for it has been a good many years since I was in the express business; but I do know, of my own knowledge, on many runs where we would pay a messenger, for example, $75 a month where the express and baggage business was not so heavy but that one man could handle both, the railroad company would withdraw the baggage man, and one man would perform the entire service and receive $80 a month, each company dividing the amount.

Mr. LLOYD. Would they deduct that amount from the gross earnings of the express company in settling with the railroad company?

Mr. SNEAD. No; there were different methods employed.

Mr. LLOYD. How does this come into the question between the railroad and the express company?

Mr. SNEAD. It does not. That is what I was attempting to point out, that if the express company would pay this joint employee $40 direct, it would not come into the railroad account. It would not be covered by these figures Mr. Stewart has given.

Mr. MCCAHAN. When the salary of a station agent is considered, is not the express business first taken into consideration?

Mr. SNEAD. I think that is true where the station agent is a joint employee.

Mr. STEWART. Do you think it would probably be as much as this item—joint messenger service, $122,000?

Mr. PEABODY. Do you mean by that the commissions paid to the station agent would amount to that sum?

Mr. STEWART. No. The amount I stated was what the railroad companies saved by these commissions paid to joint employees.

Mr. SNEAD. Including station agents I should say it was a great deal more.

Mr. STEWART. How much more?

Mr. SNEAD. That is a matter of guesswork. No one, so far as I know, has any figures.

Mr. LLOYD. My understanding is that in most of those cases the railroad company employs the man and pays him and the express company employs a man and pays him and what the express company pays would go into the express company's account, and what the railroad company pays goes into the railroad company's account, and it would not affect this question at all.

The CHAIRMAN. Two years ago the express companies had 50,000 employees who attended to the express business only and 35,000 employees who had joint service—express, railroad, telegraph, or telephone.

Mr. LLOYD. There are 35,000 employees, as I understand it, that have two paymasters; the railroad company pays the employee as its employee and then the employee gets another salary from the ex-

press company. Now, there are some of these that are paid jointly, and that is accounted for in this item here.

Mr. SNEAD. For instance, at nearly all these stations the railroad company controls them; they have the hiring of the employee and they will say the service at such a station is worth, for instance, $80 a month—that is, the joint service for handling express, baggage, mail, and everything. The express company ordinarily allows 10 per cent commission on all business handled in and out of offices where they pay on a commission basis. Suppose the express commission at that particular point should average, for a period of perhaps six months or perhaps a year, $10 a month. The railroad company having fixed the salary at $80 per month would say to the man, "We will pay you $70 a month and the express company will pay you $10 a month; that is, your commission from the express company will average you $10 a month."

Mr. LLOYD. Is not this the point you make: Suppose that the salary of an individual is $100 a month. The railroad company pays him $75 a month, the express company pays him $25 a month. Does not the railroad company figure it out something like this, that if the express company did not pay him that $25 for the service that he rendered the express company in order to retain that man would be required to pay him $100?

Mr. SNEAD. Or something additional to the $75.

Mr. LLOYD. Now, coming back to the other feature, if this is the situation the railroad company has paid him for all the services he has rendered the railroad company and the express company has paid him for all the services he has rendered, and it seems to me that it has nothing to do with this question at all.

Mr. MACK. Except, Mr. Lloyd, if the express company did not pay that man the railroad company would have to.

Mr. LLOYD. It might be, because possibly that man could not be secured for a $75 salary.

Mr. MACK. It is always calculated by the railroads, where that character of service is concerned, such as Mr. Snead has pointed out, where the express company pays part of the salary, that it is an advantage to the company to that extent.

Mr. LLOYD. It saves the railroad company just the amount that the express company pays?

Mr. MACK. That is the point exactly.

Mr. LLOYD. But that amount that is paid for by the express company is paid for services rendered to the express company?

Mr. MACK. Within the time which the railroad company pays for.

Mr. STEWART. Something was said this morning about the interest that railroad companies might have in the express companies and which interest might influence the question of rates and contracts between them. In that connection I want to submit this, in addition to what was said. This is Exhibit 36 from the Interstate Commerce Commission calculation which shows that $54,890,950 in stocks and bonds of railroads are owned by express companies. That is the other side of it.

The CHAIRMAN. At this point we will take an adjournment until to-morrow morning.

(Thereupon, at 5 o'clock p. m., an adjournment was taken until 10 o'clock a. m. Thursday, April 2, 1914.)

THURSDAY, APRIL 2, 1914.

COMMITTEE ON SECOND-CLASS MAIL MATTER, ETC.,
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 o'clock a. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Senator John W. Weeks, and Representatives James T. Lloyd and William E. Tuttle, jr.

All of the witnesses, with a few exceptions, attending the meeting of the previous day were present and all indicating a desire to be heard, and those subsequently participating in the discussion were duly sworn by the chairman.

The CHAIRMAN. Mr. Mack, have you your statement ready for the Missouri Pacific?

Mr. MACK. Yes, sir.

Mr. STEWART. Mr. Chairman, before we go into this matter there is some additional information I want to submit in connection with our discussion last evening as to the difference between the two classes of service and the monetary value of such differences.

The CHAIRMAN. Which two classes of service?

Mr. STEWART. The mail and express. Reference was made to the contracts between the express companies and the railroad companies, exempting the railroad companies from liability in case of accident or death to the express employees. I would like to know whether the railroad representatives have any information to submit on that point—as to its value to the railroad companies?

The CHAIRMAN. You mean in dollars?

Mr. STEWART. Yes.

Mr. PETERS. No; we have not. We attempted to get up a statement for the railroads showing the amount they have paid out for personal injuries to postal clerks and we could not get the information in any intelligent shape to be sufficiently reliable. I think it was not as high as most of us had thought, but it was impossible to get the information from all of the roads, and it was so incomplete that we never worked it up. I did not bring those papers with me. That was some two or three years ago that I attempted to collect the information, but I was not successful. I do not know from my own experience whether we have had to pay anything for personal injuries to an express messenger. Sometimes a railroad may have a judgment rendered against it in a court, but under the contracts with the express companies the express companies pay the bills afterwards, so that the railroad company is relieved.

The CHAIRMAN. Have you the information as to what the railroads have to pay because of injuries to postal employees?

Mr. PETERS. No; I could not get it complete enough; from the few roads I was able to get the information. I should say it was something like $200,000 a year.

The CHAIRMAN. Have you the information, General Stewart?

Mr. STEWART. I have information as to the amount we paid in 1913 on account of the death of clerks who were killed in accidents or who died during the year as a result of accidents and the amount paid for acting clerks in place of clerks who were injured and who

were given leave of absence for periods not exceeding two years, as allowed by the statute. The law allows us to pay $2,000 in case of death, and it also allows us to put on acting clerks in place of clerks who were injured and to give leave of absence within a period of two years. If that will be pertinent information, I will submit the figures. Six hundred and eighty-eight clerks were granted leave for one year or less, and the acting clerks employed in consequence received $84,826.21. Forty-one clerks were granted leave during the second year, and the acting clerks employed in consequence received $5,-268.76. That makes a total amount of $90,094.97 paid in 1913 for injury. Four clerks were killed outright and five died as a result of injuries, a total of nine clerks, whose representatives received $18,000. The total expenditure under the appropriation for 1913 was $108,094.97.

Mr. PETERS. Those payments would not prevent the clerks from recovering damages from the railroads?

Mr. WORTHINGTON. I recall a single instance on the Oregon Short Line within the last year where the road paid about $10,000 for the death of a clerk.

The CHAIRMAN. Now, Mr. Mack, we will hear from you.

## STATEMENT BY MR. H. E. MACK.

The statement submitted by the Post Office Department at the hearing March 24, 1914, before your committee, concerning reports made by the Missouri Pacific system and also the Denver & Rio Grande, Texas & Pacific, International & Great Northern, and St. Louis Southwestern Cos., as typical of the reports by the railroads in general, contains *reference to no errors of fact in such reports, but is an explanation of the department's action in detail in changing the reports submitted by the companies as to the facts, and classifying some mail space as "dead space" and charging it to passenger space.*

I will ask you to keep in mind throughout that you are not considering errors in reports made by the railroads, for, as to these companies, the facts are beyond controversy and can not be disputed, that the mail space reported in full railway post-office cars and apartment cars was in actual private and exclusive use of the Post Office Department, so reported by conductors during the period fixed by the department and checked in tabulation as to the length of mail cars and apartments by the companies' car records from the numbers of the cars reported in actual service; the space reported as baggage-car overflow, referred to in the statements, and the storage-car space on the other routes was based on reports made by conductors or baggagemen, being the daily average, representing the varying higher or lower space used day by day. In some few instances the space reported was compulsorily hauled by the companies deadhead, essentially due to its use by the Post Office Department; but it is a fact that a portion of this space was charged by the department to passenger service instead of mail, notwithstanding none of it was in use for passenger service.

This so-called "dead space" is that proportion of mail space which was in actual use, or directly hauled in connection with such use, and the Post Office Department disowned after its use.

It was not space which was not in use by the Post Office Department, or incidentally hauled for the Post Office Department, but what, on the space basis of pay proposed in Document No. 105, the department would not be willing to pay for under that plan; but upon the question of underpay to the railroad, it must be considered as operated for the mail service to be comparable with the space used directly and incidentally in the passenger and express service similarly reported, or the usefulness of the figures for purposes of comparison are destroyed altogether. The same rule must apply throughout or there would be no proper ratio for comparison.

There is just one fair basis of comparison, and that is the exact service with the mail, express as well as the passenger service, as it actually existed during the month of November, without any change in the space assigned to each at any time by anybody.

"Dead space" is based also upon units of a single car-foot mile, now discarded by the department.

Of course, average space is not sound for a space basis, for the maximum must be provided to take care of the business at all times. While this detailed data have been in the department nearly four years, and Document 105 should have contained it for all companies, I have endeavored in only the four days I have had it for our lines, as a typical statement, to classify and rearrange it in four statements in tabular form, comparing the route so as to show through-car runs, that it may be clear to you, as would not have been the case as segregated by routes in paragraph form as submitted by the department.

Before proceeding it may be well to dispose of a few errors in the department's statement:

Route 147041. The department corrects its error on this route of 609,804 car-foot miles; but the calculation is in error, as the amount is 627,786 car-foot miles. This would make the total error of the department, in car-foot miles, 907,112 instead of 889,129.

Route 145034. The original error on this route, as to trains 410 and 425, was corrected by letter of August 31, 1910.

Route 145062. The original error on this route was corrected in letter of September 1, 1910.

Route 147051. Not our company.

Route 145042. Company did not report five car-feet of space on this route, as department's memorandum indicated.

Route 145039. Texarkana-Shreveport. The department states there was no Sunday service on this route, but the schedules of the Railway Mail Service show, for both trains 11 and 12, such service. Proceeding to the four statements submitted, as follows:

Statement No. 1. Sunday cases affecting 11 short-line trains.

Statement No. 2. Incidental haul of cars affecting five short-line trains.

Statement No. 3. Apartment-car service.

Statement No. 4. Full railway post-office service.

STATEMENT No. 1.

*Details in cases where mail apartment cars were necessarily operated on Sundays, but without a mail clerk, the mail in such cases being in care of the train baggageman.*

| Route No. | Points between— | Distance. | Train Nos. | Mail apartment. | Car-foot miles. | |
|---|---|---|---|---|---|---|
| | MISSOURI PACIFIC—IRON MOUNTAIN. | | | | | |
| | | | | *Feet.* | | |
| 145042 | Sedalia-Warsaw | 42.30 | 637–636 | 20 | 6,768 | |
| 145047 | Jefferson City-Bagnell | 45.31 | 641–642 | 16 | 5,799 | |
| 149056 | F. & S. Junction (n. o.)-Monroe | 38.99 | 535–536 | 16 | 4,990 | |
| 147067 | P. B. & W. Junction (n. o.)-Benton | 44.65 | 941–942 | 23 | 8,215 | |
| 147004 | Halley-Warren | 44.63 | 825–826 | 18 | 6,426 | |
| 147044 | McGehee-Halley | 9.12 | 825–826 | | 1,313 | 8,774 |
| 147060 | Arkansas City-Trippe | 7.19 | 828–827 | | 1,035 | |
| 147002 | Helena-Clarendon | 47.34 | 829–830 | 15 | 5,680 | |
| | | | | | | 40,226 |
| | ST. LOUIS SOUTHWESTERN. | | | | | |
| 147026 | Little Rock-Altheimer | 42.90 | 31– 32 | 26 | 8,923 | |
| 150164 | Corsicana-Hillsboro | 41.78 | 503–504 | 25 | 8,356 | |
| | | | | | | 17,279 |
| | TEXAS & PACIFIC. | | | | | |
| 149017 | Cypress-Shreveport | 86.42 | 75– 76 | 25 | 17,284 | |
| 149034 | Simmesport-Bunkie | 25.79 | 81– 82 | 11 | 2,269 | |
| 149035 | Junction-Marksville | 9.04 | 81– 82 | | 795 | 5,313 |
| 149059 | Simmesport-Melville | 25.56 | 81– 82 | | 2,249 | |
| 149039 | Texarkana-Shreveport | 75.11 | 41– 42 | 25 | 15,022 | |
| | | | | | | 37,619 |
| | Total | | | | | 95,124 |

This list comprises the instances where the mail-apartment-car space was operated on Sundays (one case on Saturday) without postal clerks; but the train with all of its equipment, including the mail-apartment car, is run on Sundays, and the mail space is therefore compulsorily hauled, because of the private apartment for mail which is in the car for the convenience and use of the department at all other times.

Mails were carried on the trains as closed pouches nevertheless.

In some cases the mail is actually placed in the mail apartment just the same on Sundays as it would be on week days, but the baggageman puts it in and takes it out on Sundays instead of the postal clerks. This was explained to Mr. Stewart in a letter on September 12, 1910, copy attached, in one case illustrating this.

The instances of this kind only represent 11 trains each way, Sunday only, a total car-foot miles for November, 95,124 feet.

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SEPTEMBER 12, 1910.

Hon. JOSEPH STEWART,
*Second Assistant Postmaster General.*

DEAR SIR: In answer to your letters of August 4 (C. H. M.) with regard to Sunday service trains 538–535 and 536–537, mail routes 149054 and 149056, would say that while true the postal clerk who runs on these trains week days does not run on Sundays, the same car in the make-up of the train is necessarily run on Sundays, and the closed mails which are carried are carried in the mail compartment although in charge of the company's employee instead of the postal clerk.

The requirement to furnish an apartment car six times a week perforce requires furnishing and hauling it seven times a week.

Very respectfully,

(Signed) H. E. MACK.

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MISSOURI PACIFIC RAILWAY CO.,
ST. LOUIS, IRON MOUNTAIN & SOUTHERN RY. CO.,
*Ferriday, La., September 7, 1910.*

Mr. H. E. MACK,
*General Agent Mail Department, St. Louis, Mo.*

DEAR SIR: Referring to your special letter August 30, regarding mail handled on trains 538, 535, 536, and 537 on Sundays between Monroe and Farmerville,

the same mail-apartment car is used on Sundays as on other days, and the mail is not handled in baggage car on Sundays, but is handled in the mail apartment. Mail is handled as follows:

No. 538.—1 pouch from Farmerville for train 806 at Felsenthal, 1 pouch from Farmerville for 535 at Felsenthal.

No. 535—1 pouch from train 538 for Monroe.

No. 536—1 pouch from Monroe for train 537 at Felsenthal, 3 sacks papers from Monroe for train 537 at Felsenthal.

No. 537—1 pouch from train 536 for Farmerville, 3 sacks papers from train 536 for Farmerville, 1 pouch from train 805 for Farmerville, 5 sacks papers train 805 for Farmerville.

Yours, truly,

(Signed) C. M. ANDREWS, *Superintendent.*

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STATEMENT No. 2.

*Details in instances reported by the companies where deadhead movement of postal cars was compulsory and necessary operating incident of their use by the Government in connection with the companies' operation of train service.*

| Route No. | Termini. | Train No. | Length of apartment. | Car-foot miles. |
|---|---|---|---|---|
| | MISSOURI PACIFIC–IRON MOUNTAIN. | | | |
| | | | *Feet.* | |
| 145040 | C. & W. Jc.-Joplin | 631–632 | 22 | 21,175 |
| 145100 | Webb City-Granby | 631–632 | | 24,070 |
| | Trains 631 and 632 over the two routes named, haul the mail apartment car operating between Topeka and Fort Scott. The Railway Mail Service requested and the company consented to the bag racks being hung, and the company was required to heat the car south of Fort Scott, so as to be in readiness for the clerk when he entered the car on the return trip at that point. This car was in use therefore incidentally to that extent. | | | |
| 155040 | Auburn-Falls City | 137–138 | 23 | 34,767 |
| | In this instance the train and car run between Omaha and Falls City, but the postal clerk occupies it only between Omaha and Auburn, route 157038. It is necessarily hauled by the company as a part of the train to Falls City, and is a necessary incident to its use by the Government in connection with our train service. | | | |
| 155091 | Kansas City-Osawatomie | 103 | 30 | 108,720 |
| 155031 | Osawatomie-Yates Center | 104 | | 121,140 |
| | The car on these trains is occupied by the mail clerks south of Yates Center, but is run through between Yates Center and Kansas City as a necessary incident of train operation to avoid transfers at Yates Center. | | | |
| | TEXAS & PACIFIC. | | | |
| 150073 | Whitesboro-Fort Worth | 31–32 | 25 | 106,995 |
| | This mail apartment car is a part of the train operating between Texarkana and Fort Worth, but is used by the postal clerks between Texarkana and Whitesboro, route 150011, and is necessarily run through in connection with the operation of the train. | | | |
| 149002 | Shreveport-Marshall | 57–58 | 25 | 65,100 |
| | This car is part of the equipment of train running from Texarkana to Marshall via Shreveport, and was occupied by the mail clerk between Texarkana and Shreveport, route 149039, and was run through as incident of the train operation. The car is now in service between Shreveport and Marshall. | | | |

Senator WEEKS. What do you mean by "incident of the train operation"?

Mr. MACK. It was part of the train and necessarily a car having an apartment had to run through. In the case of a full R. P. O. car, if the department discontinued its use, the car could be cut out. That is not true of the mail-apartment car. It must be operated through as a part of the train and if the department does not use it, for reasons of its own, it does not relieve the necessity of carrying that space.

Senator WEEKS. That train always carries mail?

Mr. MACK. Yes, sir. It ran through and the closed-pouch mail was carried in the mail apartment in care of the baggagemen between Shreveport and Marshall. At the present time the mail clerk is in charge of that space.

Mr. MCBRIDE. At the time the statement was made in 1909 was the mail actually carried in the apartment car on Sundays between Shreveport and Marshall?

Mr. MACK. Yes, sir. That is paper mail from Texas and Pacific mail for the east forwarded via Marshall on the V. S. & P. The letter mail was forwarded via St. Louis and Fort Wayne, Ind., to connect with the 20-hour train on the Pennsylvania Railroad.

STATEMENT NO. 3.

The apartment cars were all in the exclusive use of the Post Office Service, as reported, and hereafter explained and quite generally had been in use for years, but under document 105 the space would have been cut down as indicated by "dead space," and this is an indication of what would happen generally to the short lines on a space basis. Where it was estimated that a 15-foot car would be sufficient, instead of a 20-foot car in use, and an error was made, and it would develop from experience that an error was made, the company would have to go to the expense of changing the car on account of the error by the Postal Service.

The department, in a number of instances in the statements, has not recognized the full space through over the operating run of the car, although such cars are run through and can not be changed at different points en route from a 25 to a 20 foot car, and then to a 10-foot car. An important transportation principle must here be recognized that through operation is a necessity in connection with train service itself, and especially with fast-train service, and a change to different size cars could not be made without impairment of the service, resulting from train delays that would follow from transferring not only the mail but baggage and express, and sometimes passengers also, in the case of apartment-car service.

In some instances the department demand for 30-foot mail service compels the railroads in furnishing it to actually haul a 60-foot car, as when 30 feet of space is required by the department, it would so far encroach upon the space in the car as to not leave sufficient remaining space in the car for any company use. Where possible, however, to use this space in the opposite end of the car for baggage or express it is done, but only those cases are reported to the department where the space referred to could not be used at all.

In many cases the department changed apartment-car space in use to "dead space," although reports actually show overflow mail in baggage car in such train.

The overflow mail in baggage car in all but two cases was thrown by the department into "dead space" and classified as passenger space, although only the daily average was reported, and in many cases the company might very fairly have added a charge on return of the car to correspond to the outward use, because when that is not done the entire "dead space" returning was all charged to the passenger and express service, although the car was operated for general mail use.

As the statement submitted shows, every foot of space reported by the companies was properly charged by the companies to mail service and was in actual use by the department, as fully explained in statement submitted.

*Statement No. 3.*

| Mail route. | Termini. | Train Nos. | Length of mail apartment operated and in exclusive private use of Post Office Department. | Classed as "dead space" and charged to passenger space by Post Office Department. | Daily average overflow mail actually carried in baggage cars. | Classed as "dead space" and charged to passenger space by Post Office Department. |
|---|---|---|---|---|---|---|
| | MISSOURI PACIFIC–IRON MOUNTAIN. | | *Feet.* | *Feet.* | *Feet.* | *Feet.* |
| 145001 | St. Louis–Tower Grove | | | | | |
| 145070 | Tower Grove–K. B. Conn | 23 | 26 | 6 | | |
| 147041 | K. B. Conn–Bismarck | 22 | | | 2 | 2 |
| 145034 | Bismarck–Columbus | 422–423 | 26 | 6 | | |
| 145027 | Cairo–Poplar Bluff | 431–436 | 20 | 5 | | |
| 145001 | Kansas City–Pleasant Hill | 214–215 | [1] 30–25 | [1] 25 | | |
| 145040 | Pleasant Hill–Joplin | 207–208 | | | | |
| 145001 | Kansas City–Pleasant Hill | 212– | | | 5 | 5 |
| 145040 | Pleasant Hill–Joplin | 209 | | | | |
| 145001 | Jefferson City–Cole Junction | | | | | |
| 145093 | Cole Junction–Myrick Junction | 5 | 19 | 4 | 9 | 9 |
| 145001 | Myrick Junction–Kansas City | 6 | 19 | 4 | 8 | 8 |
| 145093 | Boonville–Marshall | 631 | | | 5 | 1. 25 |
| | | 632 | | | 5 | .83 |
| 147009 | Nashville–Hope | 845 | 16 | 1 | | |
| | | 846 | | | | |
| | | 847 | | | | |
| | | 848 | | | | |
| 147044 | McGehee–Halley | 825 | | | | |
| 147004 | Halley–Warren | 826 | 18 | 3 | | |
| 147017 | Smithton–Pike | 1 | 18 | 3 | | |
| | | 2 | | | | |
| 147041 | Poplar Bluff–Knobel | 9 | 21 | 1 | 4 | 4 |
| 147012 | Knobel–Wynne | 10 | 21 | 1 | 4 | 4 |
| 147012 | Wynne–Helena | 309 | 21 | 1 | | |
| | | 310 | | | | |
| 147023 | Memphis–Bald Knob | 223 | 20 | 5 | | |
| | | 204 | | | | |
| | | 205 | 16 | 1 | 3 | 3 |
| | | 202 | | | | |
| | Memphis–Fair Oaks | 931 | 30 | | 2 | 2 |
| 147057 | A. S. W. Junction–Womble | 1 | 18 | 3 | | |
| | | 2 | | | | |
| 147067 | P. B. & W. Junction–Benton | 1 | 23 | 8 | | |
| | | 2 | | | | |
| 149056 | F. & S. Junction–Monroe | 536 | | | | |
| | | 535 | 16 | 1 | ½ | ½ |
| 153005 | Fort Smith–Coffeyville | 103 | [1] 30–30 | [1] 30 | | |
| | | 104 | | | | |
| 155084 | Kansas City–Atchison | 131 | 26 | 6 | | |
| 155040 | Atchison–Falls City | 132 | | | | |
| 155080 | Rich Hill–Fort Scott | 407 | | | | |
| | | 408 | 23 | 3 | | |
| 155036 | Fort Scott–Yates Center | 407 | 23 | 3 | | |
| | | 408 | | | | |
| 155036 | Wichita–Kiowa | 703 | | | | |
| | | 704 | 23 | 9 | | |
| | | 706 | | | | |
| | | 705 | 20 | 6 | | |
| 155046 | Eldorado–McPherson | 749 | | | | |
| | | 762 | 16 | 4 | | |
| 155091 | Kansas City–Ottawa | 1 | | | | |
| | | 2 | | | | |
| | | 3 | [2] 30–30 | [1] 30 | | |
| | | 4 | | | | |
| 155060 | Topeka–Fort Scott | 631 | 22 | 2 | | |
| | | 632 | | | | |
| 155067 | Ottawa–Towner | 1 | | | | |
| | | 2 | [1] 30–30 | [1] 30 | | |
| | | 3 | | | | |
| | | 4 | | | | |

[1] D. H. [2] D. ¾ H.

*Statement No. 3*—Continued.

| Mail route. | Termini. | Train Nos. | Length of mail apartment operated and in exclusive private use of Post Office Department. | Classed as "dead space" and charged to passenger space by Post Office Department. | Daily average overflow mail actually carried in baggage cars. | Classed as "dead space" and charged to passenger space by Post Office Department. |
|---|---|---|---|---|---|---|
| | MISSOURI PACIFIC–IRON MOUNTAIN—con. | | *Feet.* | *Feet.* | *Feet.* | *Feet.* |
| 155074 | Conway Springs–Larned | 333 | 18 | 2 | | |
| | | 334 | | | | |
| 155094 | Warwick–Prosser | 643 | 14 | 2 | | |
| | | 644 | | | | |
| 155095 | Gypsum–Marquette | 12 | [1] 30–30 | | | |
| 157038 | Omaha–Auburn | 137 | 23 | 11 | 5 | 5 |
| | | 138 | | | | |
| | Auburn–Talmage | 645 | 16 | 1 | | |
| | | 648 | | | | |
| 157040 | Union–Lincoln | 633 | 16 | 1 | 2 | 2 |
| | | 634 | | | | |
| | | 638 | 16 | 1 | | |
| | | 639 | | | | |
| 157059 | Talmage–Crete | 645 | 16 | 1 | | |
| | | 648 | | | | |
| 165036 | Towner–Pueblo | 1 | | | | |
| | | 2 | [1] 30–30 | [1] 30 | | |
| | | 3 | | | | |
| | | 4 | | | | |

[1] D. H.

The apartment car space was correctly reported by the company as in the private, exclusive, actual use of the Post Office Department, or compulsorily operated by the company in connection with such use, and as to the overflow space reported in baggage cars, it was based upon reports by conductors upon measurements taken day by day and represents the daily average space so occupied actually by mail for the period, although this average includes higher maximum space in use at times.

MISSOURI PACIFIC–IRON MOUNTAIN.

Route 157040, 12 to 14 feet of space was used in baggage car on Sundays, making a daily average of 2 feet baggage car mail.

| Mail route. | Termini. | Train Nos. | Length of mail apartment operated and in exclusive private use of Post Office Department. | Classed as "dead space" and charged to passenger space by Post Office Department. | Daily average overflow mail actually carried in baggage cars. | Classed as "dead space" and charged to passenger space by Post Office Department. |
|---|---|---|---|---|---|---|
| | DENVER & RIO GRANDE. | | *Feet.* | *Feet.* | *Feet.* | *Feet.* |
| 165001 | Pueblo–Trinidad | 109 | 30 | 15 | | |
| | | 114 | | | | |
| | Pueblo–Cucharas | 115 | | | 6 | 6 |
| 165004 | Alamosa–Antonito | 115 | 25 | | 20 | 20 |
| | | 116 | | | | |
| 167002 | Antonito–Durango | 115 | 20 | | | |
| | | 116 | | | | |
| | Durango–Silverton | 115 | 20 | 10 | | |
| | | 116 | | | | |
| 165004 | Antonito–Espanola | 425 | 20 | 8 | 3 | 3 |
| | | 426 | | | 4 | 4 |
| 167011 | Espanola–Santa Fe | 425 | 20 | 8 | | |
| | | 426 | | | | |
| 165012 | Salida–Mears Junction | 317 | 20 | 5 | | |
| | | 318 | | | | |
| 165004 | Mears Junction–Alamosa | 317 | 20 | 5 | | |
| | | 318 | | | | |
| 165012 | Salida–Montrose | 315 | 20 | | 3 | 3 |
| | | 316 | 26 | 6 | | |

*Statement No. 3*—Continued.

| Mail route. | Termini. | Train Nos. | Length of mail apartment operated and in exclusive private use of Post Office Department. | Classed as "dead space" and charged to passenger space by Post Office Department. | Daily average overflow mail actually carried in baggage cars. | Classed as "dead space" and charged to passenger space by Post Office Department. |
|---|---|---|---|---|---|---|
| | DENVER & RIO GRANDE—continued. | | *Feet.* | *Feet.* | *Feet.* | *Feet.* |
| 165037 | Montrose–Ouray | 367 | 20 | 5 | ..... | ..... |
| | | 368 | 26 | 11 | ..... | ..... |
| 165012 | Montrose–Grand Junction | 315 | 30 | 10 | ..... | ..... |
| | | 316 | ..... | ..... | ..... | ..... |
| 165018 | Glenwood Springs–Aspen | 227 | 30 | 20 | ..... | ..... |
| | | 228 | ..... | ..... | ..... | ..... |
| 165025 | Delta–Somerset | 377 | 21 | 11 | ..... | ..... |
| | | 378 | ..... | ..... | ..... | ..... |
| 165019 | Denver–Newcastle | 5 | 30 | ..... | 20 | 10 |
| 165042 | Newcastle–Grand Junction | 5 | 30 | ..... | 5 | 5 |
| | | 3 | 30 | ..... | 1 | 1 |
| 169002 | Grand Junction–Ogden | 5 | 30 | ..... | 4 | 4 |
| 169002 | Salt Lake–Springville | 409 | 21 | 6 | ..... | ..... |
| 169015 | Springville–Silver City | 410 | 21 | 6 | ..... | ..... |

DENVER & RIO GRANDE.

Route 165001, Pueblo to Trinidad, train 109; on Sundays there was an average of 6,253 pounds, rendering 30 feet service necessary on that train. The company could not furnish 30-foot cars Sundays and 15-foot cars week days.

Route 167002, Antonito to Durango, Durango to Silverton, trains 115 and 116; company reported 20-foot mail apartment cars in use; should have reported 25, increasing car-foot miles 51,460 and 13,554 car-foot miles, respectively.

The mail car on these trains was started on route 165004 at Alamosa, and ran via Durango to Silverton, cars 64 and 66 being operated through. The department recognizes 25 feet between Alamosa and Antonito, and recognizes only 20 feet between Antonito and Durango, and only 10 feet between Durango and Silverton.

Route 165037, trains 367 and 368, narrow-gauge cars run through from Salida to Ouray; department recognizes 20-foot from Salida to Montrose and only 15-foot from Montrose to Ouray over this route.

Route 165004, company reported 20-foot storage space, Alamosa to Antonito, trains 115 and 116. This represents the mail for trains 425 and 426 between Antonito and Santa Fe. Mail loaded in the car at Alamosa and would have been in baggage car had not the mail car been operated through. Postal clerk got on at Antonito; also a necessary operating movement of car to avoid transfers of mail, baggage and express at Antonito.

| Mail route. | Termini. | Train Nos. | Length of mail apartment operated and in exclusive private use of Post Office Department. | Classed as "dead space" and charged to passenger space by Post Office Department. |
|---|---|---|---|---|
| | INTERNATIONAL & GREAT NORTHERN. | | *Feet.* | *Feet.* |
| 150007 | Hearne–San Antonio | 7 | 30 | 15 |
| | Palestine–San Antonio | 8 | 30 | 10 |
| | | 9 | ..... | ..... |
| 150008 | Houston–Columbia | 404 | 17 | 2 |
| | | 405 | ..... | ..... |
| 150032 | Mineola–Troup | 205 | 21 | 6 |
| | | 206 | ..... | ..... |

INTERNATIONAL & GREAT NORTHERN.

Route 150007, company should have reported 30-foot deadhead apartment on train 10, the return movement of car in use on train 7, Hearne to San Antonio. This would have increased mail car-foot miles, this route, 152,170.

NOTE.—Essential to have 30-foot cars in use on this route, because of changing about of equipment account of the operation of the service in connection with through trains from the north.

*Statement No. 3*—Continued.

| Mail route. | Termini. | Train Nos. | Length of mail apartment operated and in exclusive private use of Post Office Department. | Classed as "dead space" and charged to passenger space by Post Office Department. |
|---|---|---|---|---|
| | TEXAS & PACIFIC. | | *Feet.* | *Feet.* |
| 149002 | New Orleans–Addis | 55 | 25 | 5 |
| | | 56 | | |
| 149018 | Addis–Torras | 55 | 25 | 5 |
| | | 56 | | |
| | Addis–Ferriday | 61 | 25 | 10 |
| | | 62 | | |
| 149017 | Shreveport–Cypress | 75 | 25 | 10 |
| | | 76 | | |
| 149034 | Simmesport–Bunkie | 81 | | |
| 149038 | Junction–Marksville | 82 | 11 | 10 |
| 149059 | Simmesport–Melville | | | |
| 150009 | Big Springs–El Paso | 3 | 30 | 10 |
| | | 4 | | |

TEXAS & PACIFIC.

Route 150009, Big Springs to El Paso, the department recognizes the 30-foot car, which was run from Fort Worth to El Paso, Tex., between Fort Worth and Big Springs, but recognizes only 20 feet between Big Springs and El Paso.

| Mail route. | Termini. | Train Nos. | Length of mail apartment operated and in exclusive private use of Post Office Department. | Classed as "dead space" and charged to passenger space by Post Office Department. | Daily average overflow mail actually carried in baggage cars. | Classed as "dead space" and charged to passenger space by Post Office Department. |
|---|---|---|---|---|---|---|
| | ST. LOUIS SOUTHWESTERN LINES. | | *Feet.* | *Feet.* | *Feet.* | *Feet.* |
| 147026 | Little Rock–Altheimer | 31 | 26 | 11 | | |
| | | 32 | | | | |
| | | 35 | 26 | 11 | | |
| | | 36 | | | | |
| 147030 | Stuttgart–Gillett | 25 | 26 | 11 | | |
| | | 26 | | | | |
| 147042 | Malden–Jonesboro | 1 | 26 | 11 | | |
| | | 2 | | | 4 | 4 |
| | Stuttgart–Altheimer | 25 | 26 | 11 | | |
| | | 26 | | | | |
| | Pine Bluff–Altheimer | 31 | 26 | 11 | | |
| | | 32 | | | | |
| | Fair Oaks–Malden | 3 | [1] 30–30 | [1] 30 | | |
| | | 4 | | | | |
| 149019 | Lewisville–Shreveport | 23 | 26 | 11 | | |
| | | 24 | | | | |
| 150025 | Texarkana–Waco | 3 | 30 | 10 | | |
| | | 4 | | | | |
| 150042 | Noel Junction–Dallas | 201 | 26 | 1 | | |
| | | 202 | | | | |
| | | 205 | 26 | 6 | | |
| | | 206 | | | | |
| 150060 | Commerce–Sherman | 203 | 26 | 11 | | |
| | | 204 | | | | |
| 150067 | Mount Pleasant–Fort Worth | 101 | 26 | 1 | | |
| | | 102 | | | | |
| | | 103 | 26 | 6 | | |
| | | 104 | | | | |
| 150127 | Waco–Gatesville | 1 | 22 | 7 | | |
| | | 2 | | | | |
| 150144 | Tyler–Lufkin | 403 | 22 | 7 | | |
| | | 404 | | | | |

[1] D. H.

ST. LOUIS SOUTHWESTERN LINES.

Route 150025, Texarkana to Waco, trains 5 and 4, the department recognizes 30-foot car carried to Texarkana, but not over this route from Texarkana to Waco, recognizing only 20-foot, although the car is essentially operated through for efficiency of service.

*Statement No. 4.*

MISSOURI PACIFIC, IRON MOUNTAIN, TEXAS & PACIFIC, INTERNATIONAL & GREAT NORTHERN—THROUGH TEXAS SERVICE.

| | Miles. | Size of mail cars in use. | Space used as reported by company. | Daily average overflow mail in baggage cars. | Although in actual use, reported by department as dead space. | Properly reported by company, car-foot miles. |
|---|---|---|---|---|---|---|
| *Train 3, St. Louis to Fort Worth, Tex. (train and mail car run through).* | | | | | | |
| St. Louis–Tower Grove, route 145001, Missouri Pacific | | | | | | |
| Tower Grove–K. B. Conn., route 145070, Missouri Pacific | 348.77 | *Feet.* 60 | *Feet.* 40–20 | *Feet.* 9 | *Feet.* 14 | 146,482 |
| K. B. Conn.–Little Rock, Ark., route 147041, Iron Mountain | | | | | | |
| Little Rock–Texarkana, Ark., route 147041, Iron Mountain | 144.61 | ..... | 40–20 | 14 | 19 | 82,427 |
| Texarkana–Longview Junction, Tex., route 150009, Texas & Pacific | 93.35 | ..... | 40–20 | 1 | 11 | 30,805 |
| Longview Junction–Fort Worth, Tex., route 150009, Texas & Pacific | 156.34 | ..... | 40–20 | 1 | 16 | 75,043 |
| | | | | | | 334,757 |
| *Train 4, returning Fort Worth to St. Louis (train and mail car run through).* | | | | | | |
| Fort Worth–Longview Junction, route 150009, Texas & Pacific | 156.34 | 60 | 40–20 | ..... | 20 | 93,804 |
| Longview Junction–Texarkana, Ark., route 150009, Texas & Pacific | 93.35 | ..... | 40–20 | ..... | 20 | 56,010 |
| Texarkana–Little Rock, Ark., route 147041, Iron Mountain | 144.61 | ..... | 60 | 2 | 2 | 8,676 |
| Little Rock–K. B. Conn., route 147041, Iron Mountain | | | | | | |
| K. B. Conn.–Tower Grove, route 145070, Missouri Pacific | 348.77 | ..... | 60 | 1 | 1 | 10,462 |
| Tower Grove–St. Louis, route 145001, Missouri Pacific | | | | | | |
| | | | | | | 168,952 |
| *Train 5, St. Louis to Fort Worth, Tex. (train and mail car run through).* | | | | | | |
| St. Louis–Tower Grove, route 145001, Missouri Pacific | | | | | | |
| Tower Grove–K. B. Conn., route 145070, Missouri Pacific | 348.77 | 60 | 60 | 2 | 2 | 20,925 |
| K. B. Conn.–Little Rock, route 147041, Iron Mountain | | | | | | |
| Little Rock–Texarkana, route 147041, Iron Mountain | 144.61 | ..... | 60 | 4 | 4 | 17,353 |
| Texarkana–Longview Junction, route 150009, Texas & Pacific | 93.35 | ..... | 50–10 | 1 | ..... | ..... |
| Longview Junction–Fort Worth, route 150009, Texas & Pacific | 156.34 | ..... | 50–10 | 1 | ..... | ..... |
| | | | | | | 38,278 |
| *Train 6, returning Fort Worth to St. Louis (train and mail car run through).* | | | | | | |
| Fort Worth–Longview Junction, route 150009, Texas & Pacific | 156.34 | 60 | 50–10 | ..... | 10 | 46,902 |
| Longview Junction–Texarkana, route 150009, Texas & Pacific | 93.35 | ..... | 50–10 | ..... | 10 | 28,005 |
| Texarkana–Little Rock, route 147041, Iron Mountain | 144.61 | ..... | 60 | 4 | 4 | 17,352 |
| Little Rock–K. B. Conn., route 147041, Iron Mountain | | | | | | |
| K. B Conn.–Tower Grove, route 145070 Missouri Paciific | 348.77 | ..... | 60 | ..... | ..... | ..... |
| Tower Grove–St. Louis, route 145001, Missouri Pacific | | | | | | |
| | | | | | | 92,259 |

MISSOURI PACIFIC, IRON MOUNTAIN, TEXAS & PACIFIC, INTERNATIONAL & GREAT NORTHERN—THROUGH TEXAS SERVICE—Continued.

| | Miles. | Size of mail cars in use. | Space used as reported by company. | Daily average overflow mail in baggage cars. | Although in actual use, reported by department as dead space. | Properly reported by company, car-foot miles. |
|---|---|---|---|---|---|---|
| *Fast mail train 7, St. Louis to Mexico border (train and mail car run through).* | | | | | | |
| St. Louis–Tower Grove, route 145001, Missouri Pacific<br>Tower Grove–K. B. Conn., route 145070, Missouri Pacific<br>K. B. Conn.–Little Rock, route 147041, Iron Mountain | 348.77 | *Feet.* 60 | *Feet.* 60 | *Feet.* 38 | *Feet.* 8 | 83,704 |
| Little Rock–Texarkana, route 147041, Iron Mountain | 144.61 | ..... | 60 | 40 | ..... | ..... |
| Texarkana–Longview Junction, route 150009, Texas & Pacific | 93.35 | ..... | 50–10 | 27 | 17 | 47,608 |
| Longview Junction–Palestine, route 150007, International & Great Northern | 81.30 | ..... | 50–10 | 27 | 12 | 29,268 |
| Palestine–San Antonio, route 150007, International & Great Northern | 259.89 | ..... | 50–10 | 27 | 12 | 93.560 |
| San Antonio–Mexican boundary, route 150126, International & Great Northern | 153.88 | ..... | 30–30 | 7 | 22 | 101,560 |
| | | | | | | 355,700 |
| *Trains 4–8, returning Mexican boundary to St. Louis (train and mail cars run through).* | | | | | | |
| Mexican boundary–San Antonio, route 150126, International & Great Northern | 153.88 | 60 | 30–30 | ..... | 30 | 138,492 |
| San Antonio–Palestine, route 150007, International & Great Northern | 259.89 | ..... | 50–10 | ..... | 10 | 77,967 |
| Palestine–Longview Junction, route 150007, International & Great Northern | 81.30 | ..... | 50–10 | ..... | 10 | 24,390 |
| Longview Junction–Texarkana, route 150009, Texas & Pacific | 93.35 | ..... | 50–10 | ..... | 10 | 28,005 |
| Texarkana–Little Rock, route 147041, Iron Mountain | 144.61 | ..... | 40–20 | ..... | 20 | 86,766 |
| Little Rock–K. B. Conn., route 147041, Iron Mountain<br>K. B. Conn.–Tower Grove, route 145070, Missouri Pacific<br>Tower Grove–St. Louis, route 145001, Missouri Pacific | 348.77 | ..... | 40–20 | ..... | 20 | 209,262 |
| | | | | | | 564,882 |
| *Train 3, second car, St. Louis to Little Rock.* | | | | | | |
| St. Louis–Tower Grove, route 145001, Missouri Pacific<br>Tower Grove–K. B. Conn., route 145070, Missouri Pacific<br>K. B. Conn.–Little Rock, route 147041, Iron Mountain | ..... | 60 | 60 | ..... | ..... | ..... |
| *Trains 28–10, return trip of car.* | | | | | | |
| Little Rock–K. B. Conn., route 147041, Iron Mountain<br>K. B. Conn.–Tower Grove, route 145070, Missouri Pacific<br>Tower Grove–St. Louis, route 145001, Missouri Pacific | ..... | 60 | 40–20 | ..... | 20 | 209,262 |
| *Train 5, second car, St. Louis to Little Rock.* | | | | | | |
| St. Louis–Tower Grove, route 145001, Missouri Pacific<br>Tower Grove–K. B. Conn., route 145070, Missouri Pacific<br>K. B. Conn.–Little Rock, route 147041, Iron Mountain | ..... | 60 | 40–20 | ..... | 5 | 52,315 |

MISSOURI PACIFIC, IRON MOUNTAIN, TEXAS AND PACIFIC, INTERNATIONAL & GREAT NORTHERN—THROUGH TEXAS SERVICE—Continued.

| | Miles. | Size of mail cars in use. | Space used as reported by company. | Daily average overflow mail in baggage cars. | Although in actual use, reported by department as dead space. | Properly reported by company, car-foot miles. |
|---|---|---|---|---|---|---|
| *Train 6, return trip of car.* | | | | | | |
| Little Rock–K. B. Conn., route 147041, Iron Mountain<br>K. B. Conn.–Tower Grove, route 145070, Missouri Pacific<br>Tower Grove–St. Louis, route 145001, Missouri Pacific | ..... | *Feet.* 60 | *Feet.* 40–20 | *Feet.* ..... | *Feet.* 20 | 209,262 |
| Total | ..... | ..... | ..... | ..... | ..... | 2,025,667 |

NOTES.

Trains 3 and 4: The foregoing statement shows that there were two cars outward from St. Louis on train 3, one running through to Fort Worth, Tex., and returning on train 4, and that part way over the line the car was recongized by the Post Office Department as having 55 feet of space in use, St. Louis to Little Rock; 50 feet of space, Little Rock to Longview Junction; 45 feet of space, Longview Junction to Fort Worth; while on the return trip the same car is recognized as having 40 feet in use to Texarkana, whereas from Texarkana to St. Louis, it is recognized as a 60-foot car. As the train and mail car run through, the company properly reported 60-foot car service through in both directions between St. Louis and Fort Worth.

The second car is recognized as 60-foot outward to Little Rock and returning on trains 28–10, was recognized by the department only as a 40-foot car from Little Rock to Hoxie, and not recognized at all from Hoxie to St. Louis, although the outward car was necessarily returned. Properly reported in both directions by the company as a 60-foot car.

Trains 5 and 6: There were also two outward cars on train 5 from St. Louis; one to Fort Worth returning on train 6, and the second running to Little Rock and returning also on train 6. As to the through car, it was recognized by the department as a 60-foot car all the way through on train 5, but as a 50-foot car only from Fort Worth to Texarkana on the return trip, although as a 60-foot car from the latter point to St. Louis. As the train and car ran through, company properly reported it as a 60-foot car in both directions.

As to the second car, which was of 60-foot length, the department recognized it as 55 feet in average use on the outward trip, but on the return trip on train 6 it recognizes it only as a 40-foot car.

As the average use of the storage space was recognized as a 15-foot outward, and as there was a daily average overflow mail in the baggage car of 2 feet, the company properly reported 60-foot car in service in both directions.

Trains 7–5 and 4–8: This train represents the expedited fast-mail service from St. Louis to the Mexican border, the train being run as a fast-mail train St. Louis to Palestine, Tex., where the mail car is attached to regular train 5, leaving St. Louis six hours previously, the company running the fast-mail train six hours faster than its regular passenger train, for the postal service.

There were two cars on this train, one running through from St. Louis to Mexican border, which the department recognizes as of 60-foot from St. Louis to Texarkana; 50-foot, Texarkana to San Antonio, 30-foot, San Antonio to Mexican boundary; returning, the car is recognized as 30-foot from the Mexican boundary to San Antonio; 50-foot, San Antonio to Texarkana; 40-foot, Texarkana to St. Louis. The company properly reported 60-foot car in outward service and the return service.

Manifestly, as a 60-foot car was necessary from St. Louis to Texarkana, the company was compelled, on account of the fast schedule, to run the car through to the Mexican border. It was not possible even to transfer from a full car to an apartment car at San Antonio, as in that case it would have been impossible to make the Mexican National connection, which was essential.

Even from San Antonio to Mexican boundary, the department recognizes 45 feet of space as necessary on the outward trip. Not only was the 60-foot car run through, but there was overflow Mexican parcel post mail in the baggage car loaded in that car at St. Louis and run through. As the train and car service was necessarily operated through, the company properly reported 60-foot car both directions.

As to the second car, the department recognizes 60-foot outward, and by correcting its error, 60-foot return deadhead.

As to the overflow baggage-car mail on these trains, it is based upon the daily reports of the conductors of the train, and in many cases exceeded the amounts reported, as the statement submitted shows the average only and not the maximum space in service.

Total amount of space properly reported by the company, 2,025,667 car-foot miles, and although actually and necessarily in use in the mail service, as explained was treated by the department as dead space and charged to passenger service, when not a foot of it was in any passenger service whatever, and nearly half of the space was operated in connection with the fast-mail train.

MISSOURI PACIFIC—ST. LOUIS-KANSAS CITY SERVICE.

| | Miles. | Size of mail cars in use. | Space used as reported by company. | Daily average overflow mail in baggage cars. | Although in actual use reported by department as dead space. | Properly reported by company car-foot miles. |
|---|---|---|---|---|---|---|
| | | *Feet.* | *Feet.* | *Feet.* | *Feet.* | |
| Fast mail train 7, St. Louis-Kansas City | 282.48 | [1] 60 | 60 | ..... | ..... | ..... |
| | | 60 | 60 | ..... | ..... | ..... |
| | | 60 | 60 | ..... | ..... | ..... |
| | | 60 | 40-20 | ..... | 20 | ..... |
| | | [2] 70 | 70 | ..... | 10 | ..... |
| | | | | 2 | 2 | 271,180 |
| Train 12-Train 4, returning this equipment Kansas City to St. Louis | ..... | 60 | 60 | ..... | ..... | ..... |
| | | 60 | 60 | ..... | ..... | ..... |
| | | 60 | [3] 60 | ..... | ..... | ..... |
| | | 60 | [3] 60 | ..... | 20 | ..... |
| | | [2] 70 | [4] 70 | ..... | 70 | ..... |
| | | | | 2 | 2 | 779,644 |
| Train 8, returning equipment west on train 9 | ..... | 60 | [2] 50-10 | ..... | 10 | [5] 84,744 |
| Total | ..... | ..... | ..... | ..... | ..... | 1,135,568 |

[1] Postal.
[2] Storage.
[3] D. H. postal.
[4] D. H. storage.
[5] Department does not show correctly to 9 west, as reported.

NOTES.

Train 7, St. Louis to Kansas City, is a fast-mail train, and the department eliminates 20 feet of space in one of the 60-foot postal cars operated; 10 feet of space in storage car operated, and a daily average of 2 feet of overflow in the express car. The amount sometimes in this overflow was over 10 feet, but the average was 2 feet. All of this space was properly reported by the company.

The department does not recognize the 20 feet of space on the return trip in train 4, nor does it recognize 70 feet in the return movement of the storage car, and also does not recognize 2 feet of mail carried in the regular baggage car on train 4.

All of this space was properly reported by the company as chargeable to mail service.

Train 8: The department's statement does not correctly quote the company report outward for train 9, of 60-foot car with 50 feet for R. P. O. and 10-foot storage, and fails to recognize in the 60-foot car in return, the 10 feet of space referred to, which was properly reported by the company as return for the outward movement and recognized by the department.

Total amount properly reported by the company in mail service, 1,135,568 car-foot miles, which the department classified as dead space and charged to passenger service, although practically all was in connection with the fast-mail operation.

| | |
|---|---|
| Total car-foot miles properly and accurately reported by company as actually operated for and in actual and exclusive use of Post Office Department and erroneously treated by department as "dead space" and improperly classified by department as passenger space: | |
| St. Louis-Texas service | 2,025,667 |
| St. Louis-Kansas City service | 1,135,568 |
| Total | 3,161,235 |

Mr. MACK. I think that explains the situation with regard to the Missouri Pacific service thoroughly and completely.

The CHAIRMAN. Do you eliminate in your statement the fourth paragraph on page 5?

Mr. MACK. I read the fourth paragraph with regard to the through service following the apartment-car service.

The CHAIRMAN. You changed the order of the reading?

Mr. MACK. Yes. With reference to the remark of the department that the company did not overlook any opportunity to report space, I would like to make a statement for the Missouri Pacific that we might have shown on our line between St. Louis and Kansas City 1,522,800 additional car-foot miles for the month of November.

The CHAIRMAN. Why did you not do so?

Mr. MACK. We operated a fast-mail train for a temporary period of about 4 weeks, and 15 days of that time was in the month of No-

vember, 1909. As the service was not permanent, and these figures should not be used except to indicate service on a permanent basis, we refrained from reporting that space and instead took the space as it existed on the first 15 days as typical. At the beginning of the statement I should also have made the correction in stating that there were no errors in our report. I did find in looking it over that there were two, but those two errors were against the company and not the Post Office Department. They represent 217,184 miles which should be added to the mail-car mileage reported by the company.

The CHAIRMAN. I see you have attached here a map of the United States showing the Missouri Pacific and Iron Mountain. It will be impossible to put that into the record.

Mr. MACK. I merely submit that in case anyone desires to follow the routes in reading the statements. With regard to the closed-pouch service, which is not alluded to by the department in its memorandum in regard to the Missouri Pacific, the company reported, based on measurements taken by train baggagemen, space representing 2,377,024 car-foot miles, and the department cut that space 63 per cent and recognized only 857,211 car-foot miles. Perhaps Mr. Prentiss could state whether that ratio held throughout the country.

Mr. PRENTISS. The ratio for the whole country was about 50 per cent. Approximately as much closed-pouch space was transferred to passenger space as was charged to mail in Table No. 3.

Mr. MACK. The department recognizes 26,299,260 car-foot miles, and if the ratio on our lines held throughout the country the department would have cut out 44,779,883 car-foot miles; and, as I recall, that was not classed as dead space, but was directly charged by the department into the passenger service altogether, and it was not based upon any measurement by the Railway Mail Service, but was based on an estimate as to the number of pouches in which certain weight of mail might be included, and the space in which it was assumed it might have been placed. Is that correct?

Mr. MCBRIDE. Based on the number of pouches and sacks reported by the company, to which we applied our rule of weights.

Mr. MACK. Without any measurement as to the space used in the car?

The CHAIRMAN. Then, as I understand, what you have stated with regard to the department, as far as the Missouri Pacific is concerned, they cut out a larger percentage than they did for the rest of the country.

Mr. MACK. The average throughout the country.

The CHAIRMAN. According to Mr. Prentiss's statement they cut out 50 per cent.

Mr. PRENTISS. I say that is approximate.

The CHAIRMAN. Why did you cut out so much more in the case of the Missouri Pacific?

Mr. PRENTISS. The reason for that is that the Pennsylvania and the New York Central reported on practically the same basis that was used by the department, or a little less than the department would have allowed them. Those two systems comprise a large per cent of the whole service of the country and affect the average by reducing it to about 50 per cent.

The CHAIRMAN. Still that does not answer my question as to why you cut out a much larger percentage in the case of the Missouri Pacific than on the roads in the rest of the country.

Mr. MCBRIDE. I presume it is because that company reported greater space per sack or pouch than some of the other roads.

Mr. MACK. With regard to Mr. Prentiss's statement that the New York Central followed more closely the department's rule, a memorandum I have here, included in yesterday's record, shows that the department cut out 57 per cent of the closed-pouch space on the New York Central.

Mr. STEWART. You are referring to the New York Central? I named the New York Central & Hudson River Railroad. The fact that there may have been returns made by the company which we disallowed had nothing to do with the rule which the company followed and which approximated the department's rule. That is the example I stated here. The Pennsylvania Railroad adopted a different rule from that used by the railroads' committee. These two companies adopted their own plan, the results of which approximated very closely to the result obtained by the department's plan.

The CHAIRMAN. Would it be possible in that connection to state distinctly the two rules—the department's rule and the railway mail pay committee's rule—so that the ordinary citizen may understand that? I mean so that a man does not have to be a specialist in mail transportation to get an understanding of the difference in the two?

Mr. STEWART. Those three plans are all stated in the record.

The CHAIRMAN. Well, in this connection it might be wise to repeat them, if it can be done clearly.

Mr. STEWART. It can not be done without taking the record and reading it. It is not a very small matter.

The CHAIRMAN. Is it lengthy?

Mr. STEWART. Yes.

The CHAIRMAN. What is the page in the record—in the volume?

Mr. BRADLEY. With regard to the rule of the railway mail pay committee, it will be found on pages 71, 72, and 73 of volume No. 1.

Mr. STEWART. You first want to refer to the department's rule and then the rule which the railway mail pay committee have put into the record.

The CHAIRMAN. Do they follow in sequence?

Mr. STEWART. I think not.

The CHAIRMAN. How many pages would it take to give a clear distinction as to the two rules—the department's rule and the rule of the railway mail pay committee—to which you have referred?

Mr. STEWART. Probably one and one-half pages of text for all three rules.

The CHAIRMAN. If you will furnish the information as to where in the hearings these three rules are set forth, it will be sufficient.

Mr. STEWART. The rules followed by the department in determining the charge for closed-pouch space are given in full on page 101 of the preliminary report and on page 1015 of volume 7. The rule followed by the railroad companies generally is referred to on page 102 of the preliminary report and page 1017 of volume 7. The rule followed by the Pennsylvania and New York Central Cos. is recited in full on pages 1264 and 1265 of volume 11.

Mr. MACK. This is the same subject that was discussed during the day you were absent—about the relative proportions of unoccupied space in baggage cars, door space and aisle space being charged to the mail exactly as was charged to the express and passenger service.

Mr. STEWART. I should like also to have the record show that the department does not concede that we cut out closed-pouch space. The references made would indicate that we arbitrarily cut out space that the companies were entitled to. I think the record ought to show that what we did was to make an allowance for closed-pouch space upon the department's rule, as distinguished from the rule laid down by the railroads' committee.

Senator WEEKS. How much did the Missouri Pacific receive for transportation of the mails?

Mr. MACK. About one million and a half.

Senator WEEKS. Suppose all the space had been allowed by the department throughout. How much additional compensation would you have received?

Mr. MACK. I have not calculated that. We can apply the percentage, which was in the neighborhood of 20 per cent. It would have increased our compensation that much.

The CHAIRMAN. Twenty per cent of $1,500,000?

Mr. MACK. Yes.

The CHAIRMAN. That is, you would have received that much more of a credit under your space ascertainment than was allowed you in the department's space ascertainment?

Mr. MACK. Yes.

The CHAIRMAN. You would not have received $300,000 more under the present method of railway mail pay than you did receive?

Mr. MACK. No, sir; but the import of the figures is that they represent underpay to that extent.

The CHAIRMAN. On a space basis; that is, if the suggested plan of the department were in operation?

Mr. MACK. No. We would not receive that if the suggested plan of the department was in operation. Our pay would be very much reduced, as I pointed out in my testimony the other day. The import of these figures is on the basis reported by the department, the comparative basis of express, mail, and passenger, the railroads are underpaid over $15,000,000 a year. I pointed out particularly the figures in previous testimony, the exact amount based upon the exact number of car-foot miles.

The CHAIRMAN. I do not see where that has application. It may possibly be because of the subject being extremely technical. You do not claim that you were $300,000 underpaid in the money you actually received from the department for that year?

Mr. MACK. Not on the present basis of pay.

The CHAIRMAN. That is what I mean.

Mr. MACK. If we had been paid adequately for the service as measured on that basis, we should have received 20 per cent more money.

The CHAIRMAN. Measured on what basis?

Mr. MACK. On the basis of the space actually in use.

The CHAIRMAN. Upon what rate of compensation—the space actually used?

Mr. MACK. Upon the present rate of compensation. In other words, the result from the present rate of pay did not produce an

adequate amount of pay in proportion to the space occupied by the mail service.

Mr. LLOYD. In other words, if you had gotten pay for all the space used according to the space that was used, you would have gotten $300,000 more?

Mr. MACK. Yes, sir; on the Missouri Pacific.

The CHAIRMAN. But under the present rate of pay the only space classification is that of the R. P. O. car, is it not? You have your pay for the weight of the mail?

Mr. MACK. Yes, sir. The proposition here is a comparison to determine whether the pay was adequate or not. We claim the pay was not adequate because the space occupied by the mails was greater in proportion than the pay received for services on the other basis for passenger trains.

The CHAIRMAN. But you do not predicate your claim that the railroads are underpaid $15,000,000 on this demonstration that you made, so far as the Missouri Pacific is concerned? As I understand, the contention of the railroads' representatives is that they are underpaid $15,000,000 because they received nothing for the side service, because of the quadrennial weighings, and because of one other factor—the failure to pay for apartment-car service. That is true? Those are the main factors on which the claim of the railroads is based that they are underpaid?

Mr. MACK. Those are the suggested means of meeting the question of underpay.

The CHAIRMAN. Then, what is the method by which you arrive at a determination that you are $15,000,000 underpaid?

Mr. MACK. On the comparison of space occupied.

The CHAIRMAN. Yet you object to the adoption of space as the measure of the service rendered.

Mr. MACK. Not as a measure of comparison of the value of the services at that time.

The CHAIRMAN. Value of the service to what—passenger?

Mr. MACK. Compared with the passenger service.

The CHAIRMAN. Then, your contention is that the mail payment should be based upon and commensurate with the passenger returns—a revenue basis entirely?

Mr. MACK. Yes, sir; on the ground that the passenger rates are either approved by the Interstate Commerce Commission as to interstate rates and are approved or fixed as intrastate rates by the State railroad commissions or State laws.

Mr. LLOYD. That is the strongest statement, I believe, that has been made on either side in favor of a space basis.

Mr. STEWART. I would like further to suggest that Mr. Mack's conclusions as to what his company was entitled to in space in November, 1909, and what his company would be entitled to if he had received pay for that space on the basis of the present law are all predicated upon the theory that the railroad company is going to absolutely control the space that the department needs for transporting the mails.

The CHAIRMAN. I do not catch that? How do you deduce that from the statement?

Mr. STEWART. Because the Missouri Pacific charged to us full space on every occasion, on every train, for every run, regardless of

the needs of the department. Now, we are operating at the present under a statute of Congress which provides that we shall pay for three sizes of cars specifically in addition to the weight-basis pay—40 feet, 50 feet, and 60 feet. If we adopt Mr. Mack's theory of this cost ascertainment, we necessarily disregard all distinctions that are now made in the law in the matter of authorizing full railroad post-office cars, because he has charged us for 60 feet in every case whether we need it or not, and if we followed that plan in the administration of the service to-day we would pay for only 60-foot cars under the present law.

Mr. LLOYD. In that connection, as I understood your statement made just before we adjourned yesterday, you said that on these trips where you used a 60-foot car part of the way, that under your proposed system you would pay for the full 60-foot car both ways. If that is true, you admit that his contention is right.

Mr. STEWART. I think there is a distinction that you have not observed.

Mr. LLOYD. I am anxious to get it, because this is crucial, it strikes me. It seems to me you are each yielding to the other.

Mr. STEWART. I think not. The practical operation of this proposed plan would be that where we now pay specifically additional money for full cars, and, therefore, we authorize 40 feet over part of the run and 60 feet over another part of it, the tendency would be to combine all mails in the 60-foot cars and we would have, instead of these separate authorizations and accountings, practically a 60-foot line throughout. This, in my judgment, would be the practical operation of the proposed law. It abolishes the distinction between the space basis and the weight basis, and necessarily forces the department and the companies to accommodate the service to the conditions of one basis.

The CHAIRMAN. To make the record clear, you say the new law. You mean the suggested plan, if adopted?

Mr. STEWART. Yes.

Mr. MACK. I would be glad to get down to the actual proposition as applied to this car from St. Louis to the Mexican boundary. We run a 60-foot car through to the Mexican boundary, or we did at that time, and return. That car was recognized by the department as a 60-foot car part of the way, 50-foot car part of the way, 35 foot or 40 foot part of the way, and on the return trip 30 foot, 50, and 40 foot. Now, this was a through operating run which was absolutely necessary. There seems to be no question but what that space should have been recognized as a 60-foot car throughout, and in all cases there was overflow mail in the baggage car, sometimes two cars and at the present time there are three cars. On a long run of a car, such as that, on the space basis, would the department pay for 60-foot car without any question in a case of that kind?

Mr. STEWART. In the first place, let me go back to the first part of your proposition; that is, the fast-mail train. You offered that train to the department knowing the conditions under which you were going to operate it. You accepted the present pay on the theory that you were getting compensation adequate to put that train on and you have maintained it ever since under those conditions. We do not think it fair now to say that the department should change the basis of our arrangement in this ascertainment of cost of service. As to

the rest of your question, I can only say, as I replied to Mr. Lloyd, that we can not go into the details of a specific line at this time and say what would actually happen, but our belief is that under the operation of this proposed statute the mails will be consolidated upon a basis of space. The result would be the most economical arrangement for the department on the one side and the most economical arrangement for the companies on the other side. It could not be anything else where both are interested in the same thing. We are interested in paying for the least amount of space and the railroads would be interested in furnishing us the space most economically arranged. The tendency would therefore be to combine all mails in the space we would authorize and the probabilities are, on a long line like that, that authorizations would be very much more uniform than they are now, because now we have two bases of pay. There is only part of the space we can pay for specifically under the present law.

Mr. MACK. I so understand, but that does not answer the question which, I think, could be answered very directly in this case and cases like the Great Northern, which was presented yesterday. If Mr. Baskerville is here, perhaps he could illustrate it at this time: that is, would the car on its through operating run be paid for on the maximum basis required in either direction over even part of the route; if not, any rule otherwise would be unfair to the company, because the company must furnish and haul such a car such a distance.

Mr. STEWART. Yes. That is our plan—to pay for the maximum.

The CHAIRMAN. That would be your plan?

Mr. MACK. I understand, but Gen. Stewart does not come to the point I am trying to reach. He says he would pay for the maximum, but will he pay for the maximum over the usual operating run of the car in this case to the Mexican border, and in the case of the Fort Worth cars through to Fort Worth, in the case of the Little Rock cars to Little Rock and return.

Mr. STEWART. That would depend on what the needs of the services are. I understood your question to be whether we would pay, in both directions, for the maximum required in one direction. That is our plan. Whether we would pay for a 60-foot car between certain points I could not say to-day and nobody else could say to-day, but it depends on the needs of the service.

Mr. MACK. The point we are trying to get at is when the car must run through is it to be changed as it is now, a 60-foot car part of the way, 30-foot car part of the way, and on the return run different lengths of car paid for?

Mr. MCBRIDE. Is the entire 60-foot car used to its capacity all the way through to the boundary line?

Mr. MACK. I can not tell. The car is run through because it is needed as a 60-foot car when we start out at St. Louis. You can not change it several times as you go over the line before you get down to the end of the run. It is like a passenger car, with the maximum mail starting out, but in many cases, when you get to the end of the line, there is only one passenger left in a car, possibly one bag of mail in a car, but any basis of pay must necessarily be on the maximum required, which fixes the requirement as to the car which must be furnished at the initial point, and then run through.

The CHAIRMAN. That is required by the Post Office Department?

Mr. MACK. Yes.

The CHAIRMAN. And necessarily operated during the run by the railroad?

Mr. MACK. Yes.

Mr. WORTHINGTON. I would like to mention another viewpoint in that connection. At the present time the R. P. O. car represents one-tenth of the total pay, and changes of authorization made by the department necessarily affect only one-tenth of the pay, where the roads still get nine-tenths of the pay based on the weight, whereas under the proposed law changes of that kind would have 10 times the extent—that is, it would affect all of the pay of the railways directly, and the incentive of the department to change authorizations, to my mind, would be much greater where they could thereby save 10 times the amount that they do at the present time.

Mr. STEWART. I corrected that statement at the last hearing and said that that was erroneous, because while full cars represent one-tenth of the total pay they represent 46.24 per cent of the service on space basis.

Mr. WORTHINGTON. At the same time the compensation for handling the mail at the present time is nine-tenths, based on weight.

Mr. MACK. In other words, we are having a controversy with the department, as Mr. Stewart has pointed out, with reference to the full R. P. O. car space used in connection with that service, which represents only a portion of the service and only one-tenth of our compensation. But when our entire compensation, representing 10 times that amount, is at stake, the controversy will then not only apply to these routes which are full R. P. O. routes, and only 10 per cent of the pay, but it will apply to every dollar of mail pay that we would receive, except on exclusive closed-pouch routes. As I pointed out the other day, we would have to have 60-foot cars, 50-foot cars, and all these different classes of cars, and we would not do as we do to-day where we are paid on a different basis. We could not do, as we do to-day, furnish the cars that we have, because our pay would be so entirely different. If the Post Office Department said they needed a 40-foot car, we could not furnish a 60-foot car, but we would have to go out and buy a 40-foot car, because we could not afford to run the chance of putting in a 60-foot car and have them pay for only 40 feet of it; it would mean too great a loss. So we would not only be in that predicament as to full R. P. O. cars, but it would apply also to the apartment car as to how much space we used. We would have to have 13 different kinds of cars and keep them in stock like boxes on a shelf.

Senator WEEKS. You do that now, on the train from St. Louis to the Mexican border?

Mr. MACK. No, sir. Only 60-foot cars are used.

Senator WEEKS. Do you carry passengers on that train?

Mr. MACK. We carry from St. Louis to Texas a sleeping car to aid in maintaining the service.

Senator WEEKS. Do you carry express?

Mr. MACK. We carry some express, but very little.

Senator WEEKS. What part of the space in the train is used for passengers, express, and mail?

Mr. MACK. From St. Louis to Palestine, Tex., is what we consider the fast mail train. We put one sleeping car on out of St.

Louis, with the idea of trying to augment the earnings of that train, because the mail did not support it for some years. On the new space basis of pay proposed in Document 105, no railroad could operate a fast mail-train service of two postal cars with a 20 per cent land-grant reduction, for we would only be paid 15 cents a car-mile, and we would not earn 50 cents a mile on the train.

Senator WEEKS. Is the train profitable now?

Mr. MACK. It probably supports itself now. I think we earn about $1.15 to $1.20 per train-mile.

Senator WEEKS. Can you tell the relative earnings of the passenger space, the express space, and the mail space on that train?

Mr. MACK. We have no such separate statistics by trains.

Senator WEEKS. Do you not run some number of cars?

Mr. MACK. Yes, sir.

Senator WEEKS. Would it not be easy enough to do that?

Mr. MACK. I do not know that it would. I do not know what the express earnings were.

Mr. WORTHINGTON. The difficulty is with the express earnings. That is reported to the railroads as a whole for the entire system.

Senator WEEKS. It seems to me that would be a complete illustration, if you could do that, of the passenger space, express space, and mail space on a train of that kind where you run cars, using the same equipment or in the same manner, that there you could show you were earning as much from your mail space as from your passenger space.

Mr. MACK. Our passenger space on that train is a mere incident.

Mr. WORTHINGTON. Is it not a fact that that train was run primarily for the mail service and you simply added the express and passenger service to fill out, otherwise that traffic would be handled on your regular train?

Mr. MACK. That is entirely true.

Senator WEEKS. It strikes me where 60 feet of space is needed on some part of a through route, that the department should pay for the 60 feet of space for the entire route. If there was a case in which the amount of space required was not over 40 feet and the railroad had but a 60-foot car to furnish for that service——

Mr. MACK. Then the department could only pay for 40 feet.

Senator WEEKS. Yes.

Mr. MACK. Our point there is we would have to have a lot of cars of different kinds that the railroads would not now employ and will not now build. The railroads are not building 40-foot cars; they are building 60 and 70 foot cars only.

Senator WEEKS. In that case you would have to run a 60-foot car and be paid for the maximum amount used on any part of the run.

Mr. MACK. We would not undertake to do that, because on the maximum days an excess of that 40-foot space would likely be used, and we are not permitted in the mail cars to observe and if we suspected it was being used on those days without any compensation, the only way we could protect our compensation would be by having a complete outfit of these various units of cars. Take to-day, with the varying cars we have, we are unable to put specified cars on some runs. If the department calls for a 15-foot car on a particular run, we might not be able to put any 15-foot car on that run, but we might have to put in a 20 or an 18 foot car; but where our entire pay depended upon space we would be compelled to have all these classes

of cars to protect our pay. We could not take the chance of having the Railway Mail Service say they *only needed* 15 feet in a car.

Mr. STEWART. Why could you not put a partition in a 60-foot car, just as you do now, and use the rest of the car for your own purpose?

Mr. MACK. I think you will recognize from the plan of the 60-foot car that you can not do that. It is impossible.

Mr. STEWART. What we would ask for would be 40 feet on your assumption. We have a plan for a 40-foot car. Why could you not use the rest of the car for your own purpose?

Mr. ROWAN. Because you get your mail in there and out of the car through the use of the doors and you would not have the use of the doors at all, the 40 feet of distribution space being between the two sets of doors.

Mr. BASKERVILLE. Twenty feet of space on lines that would justify 60 feet would not be worth anything to the railroad company. That is why we do not put partitions in there. We start out with a 60-foot car with the mail and the baggage is in another car and the 20 feet would not do us any good after you took out the 20 feet of mail and changed the authorization to 40 feet. That is why we would not put a partition in it. We would have to have a partition that we could move around.

Mr. MACK. The design of the car makes it impossible to change a 40-foot car to a 50-foot car and a 50-foot car to a 60-foot car. I happened to be a member of a committee representing the railroads, in cooperation with the Post Office Department, on the standards for steel cars and we very earnestly urged, on behalf of the railroads, that the committee adopt a plan that would permit of extension such as that. The committee did not adopt any such plan.

Mr. STEWART. The question of construction of cars is always open to change. The Postmaster General is given authority by law to provide for emergencies just like that.

Dr. LORENZ. Would not most of your objection be answered if the units Mr. Lloyd suggested, 15 feet and 60 feet, were adopted? Then you would not have to break up a car into units which you could not use.

Mr. MACK. Personally I would not favor any units less than 60 feet for a car, for we are not building anything less. As to apartment cars I would like to say that even 30 feet of space in some cases requires furnishing to the department a full car, and I think that we have really reached the capacity of apartment-car service to-day when we have a 25-foot standard, and then a straight full car. I think that that is the experience on the railroads, that really a 30-foot car is too large for an apartment car.

The CHAIRMAN. You think the uniformity of car lengths is desirable for safety and economical operation of trains. Is that an established railroad policy?

Mr. MACK. Uniformity of cars?

The CHAIRMAN. Car lengths; that is, 60-foot cars, 70-foot cars, or would a 30-foot car or a 40-foot car put in between the two 60-foot cars minimize the safety and increase the cost of operation?

Mr. MACK. I could not pass any opinion on that. That is an operating question.

The CHAIRMAN. Do you have regular standards on the Missouri Pacific for car lengths?

Mr. MACK. Of course the railroads to-day have all sorts of cars, particularly the older roads. The proposition we have to consider here is the fact that the railroads to-day are not building such cars, but they are building 60 and 70 foot cars as standard cars—passenger, express, and all classes.

The CHAIRMAN. The reason being what—increased speed and decreased cost of operation? What is the reason for it?

Mr. MACK. I expect the purpose is standardizing uniformity.

The CHAIRMAN. Mr. Worthington, can you answer that.

Mr. WORTHINGTON. On our lines, as to apartment cars, we are not building any mail apartments of less than 30 feet in length.

Mr. CHAIRMAN. You do not have 30-foot cars, but you take a 60-foot car and use 30 feet for the authorized apartment and 30 feet for baggage and express. You do not build any 30-foot cars to run on the Southern Pacific?

Mr. WORTHINGTON. No.

The CHAIRMAN. The smallest car you build is a 60-foot car?

Mr. WORTHINGTON. At the present our standard is 60 feet for full R. P. O. cars.

The CHAIRMAN. For any car that goes into a passenger train?

Mr. WORTHINGTON. Yes, sir; not less than 60 feet.

The CHAIRMAN. Your reason being what? Increased speed and decreased cost of operation?

Mr. WORTHINGTON. Well, we feel that a car of smaller length is not economical. Take, for example, a passenger coach: The dead weight per single seat is always greater as the car is made smaller and we would feel that anything less than 60 feet is not an economical length.

The CHAIRMAN. Mr. Mack, referring to Dr. Lorenz's question about Mr. Lloyd's suggested plan adopting three units of 60, 30, and 15 foot cars, if that was designated in the law, would you then say that you would have, under an authorization of 15 feet by the department, 45 feet to utilize for other business and could adapt your other business to a certainty instead of an uncertainty where it was left to the discretion of the department.

Mr. MACK. Your thought is that in a 15-foot car the Post Office Department, where they had a 15-foot car, would confine their mail to the 15 feet of space?

The CHAIRMAN. But they can not get over 15 feet, and when they have 16 feet of business they have to make some other arrangement with an increased authorization?

Mr. MACK. But that they would not do.

The CHAIRMAN. What would they do?

Mr. MACK. They would keep on carrying the overflow in the baggage space.

The CHAIRMAN. That is cut out. That is lumped, under the Lloyd suggestion, and Dr. Lorenz's elaboration of it.

Mr. MACK. We do not feel that the space basis fits the service.

Mr. LLOYD. So far as I am concerned, on the space basis, if you are going to have an absolute space basis, I am inclined to think we can go farther than has been suggested in any concrete form and provide that wherever closed-pouch mail is carried that the mini-

mum space that shall be used in carrying closed-pouch mail shall be, say, 10 feet in a car. In other words, if you carry closed-pouch mail and only carry half a dozen closed pouches, so far as the authorization between the railroad company and the Government is concerned, it must be a certain number of feet. It seems to me that that would overcome the problem about the closed pouch. Then if you had a full 60-foot car, and there is overflow mail and it goes into the car, you get pay for the space; if it was just a small space, you would get paid for at least 10 feet, and if it is a larger space, you would get pay for the space actually used. So far as I am personally concerned I am opposed to any kind of system that does not give the railroad companies full pay for everything they do for the Government, and I do not want them to have a cent more than they ought to have for the service rendered.

Mr. MACK. The postal system is very fluctuating. I do not believe, under practical administration, it would be possible to confine the mail as it flows in such varying and irregular quantities within a given space unles that space were based strictly and absolutely upon the maximum.

Mr. LLOYD. The bill which Gen. Stewart suggests, so far as full railway post-office cars are concerned, is so plain that it seems to me there is no possibility of trouble about its construction. It says: "In computing the car-miles of the full railway post-office cars and apartment railway post-office cars the maximum authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions," etc.

Mr. WORTHINGTON. That refers really to the return trip?

Mr. LLOYD. It refers to both directions.

Mr. WORTHINGTON. That would not prevent in any way the change in authorization from a 50-foot to a 60-foot car 100 miles out if the department wished to do it?

Mr. LLOYD. Yes. This applies to the car you start with, a 60-foot car. As I understand this, if you start with a 60-foot car and it makes a round trip, the Government would be bound to pay for a 60-foot car for the round trip?

Mr. MACK. I see your point. Your distinction is the round-trip movement, but that paragraph very studiously avoids reference to the length of the run. That is what I am pointing out here, that when the department only pays one-tenth of the total mail pay for full railway post-office cars they decline to recognize the minimum space used in both directions over a through operating run of the car.

Mr. LLOYD. I understand that now, but they have no such requirement as that. I may misunderstand this proposed section, but to me it is perfectly plain that they are bound to pay for the car, not the train, but the car used, and they have to pay for the car at the maximum space used, so that if they call at any time, either outgoing or incoming, for 60-foot space, they have to pay for it all the way around.

Mr. MACK. That is for the route, but Mr. Stewart will not say it.

Dr. LORENZ. That is for the route, and he may break up the run into more than one route.

Mr. LLOYD. That is the contention that has been met at times past, but it seems to me, according to this, if the car starts at St.

Louis and goes to the Mexican border, and then comes back from the Mexican border to St. Louis, they have to pay for the full space used at any place on that run; it does not make any difference where it runs, but it is the round trip.

Mr. MACK. Suppose the department says that that particular car, although it is a 60-foot car, is not needed all the way through?

Mr. LLOYD. They are precluded from that. Let us get the gentleman's idea. I think he has precluded himself from saying that if the cars makes a round trip he has to pay for it. How about that, Gen. Stewart?

Mr. STEWART. That can be controlled by the manner of stating the route, very largely.

Mr. LLOYD. Then if you just stated the route half way, you made that 60 part of the way, 40 part of the way, you would pay for 60 feet on the part you needed 60 feet and 40 feet where you needed 40 feet. If that is true, then I am opposed to that proposition, for that is not fair. If you are going to use a 60-foot car from St. Louis to the Mexican border and not pay for it, I do not think that is a fair proposition.

Mr. STEWART. You have to confine your payment for cars to routes over which they are operated.

Mr. LLOYD. But between St. Louis and the Mexican border there are three or four routes, and you can make just as many routes as there are divisions. You can make a dozen routes between St. Louis and the Mexican border over which this car would travel.

Mr. STEWART. We would make our routes conform, as near as practicable, to the running of the cars. That is the idea under this plan.

Mr. LLOYD. I am getting at the discretion of the department. I understood you just now opposite to what I understood you to say on yesterday. You would make the authorization on the route, and if you had half a dozen routes between St. Louis and the Mexican border you might have half a dozen different kinds of authorization for that between St. Louis and the Mexican border.

Mr. STEWART. Yes; because you might not have a through car run always on that same route.

Mr. LLOYD. I am talking about a through car.

Mr. STEWART. That would be a different thing. I think I would agree with you there.

Mr. LLOYD. Now, let us see if we understand each other, because this, it seems to me, is vital, and that is the difference between you people, as I understand. If a car actually starts at St. Louis and goes to the Mexican border and returns to St. Louis, as demanded by you, as I understand this law, the car has made a round trip where to? Not on a route, but on several routes. It has made a run from St. Louis to the Mexican border and return, and that is the round trip of that car. If that is the round trip of that car and at any place on the journey, according to your proposed law, you authorize the use of a 60-foot space, you must pay for that 60-foot space the whole distance, outgoing and incoming. Is that right?

Mr. STEWART. Hardly right. That would leave the control of the space for which the department should pay entirely to the railroad. If you are going to combine a through car run over several routes and compel the department to pay for the maximum needed on any

route it gives the company the opportunity to run one size car out to fill these several authorizations. That will not be fair to the department.

The CHAIRMAN. But you have the protection in your own hands, have you not? The initiation has to take place with the department because the authorization is from the department.

Mr. STEWART. We would call for a 60-foot car.

The CHAIRMAN. Then, as Mr. Lloyd says, why should you not pay for a 60-foot car for the whole run, provided it is used by the Post Office Department for that run, although in different lengths, 40 feet part of the way, 50 feet, and 60 feet; but you need it for the whole run, and why should you not pay by the run instead of by the route?

Mr. STEWART. We would pay by the run, according to the routes.

Mr. LLOYD. And you pay according to the route and not the run?

Mr. STEWART. It would carry the same pay on the several routes. A 60-foot car would carry the same pay.

Mr. MACK. That is not the point.

The CHAIRMAN. Would you pay for the full 60 feet for the whole run?

Mr. STEWART. If we needed it, of course.

The CHAIRMAN. If you needed it for any part of that run, and you called for it. It seems to me you have the absolute protection, from a governmental standpoint, in the fact that the initiation lies entirely with you. You call for so much space, you make the apportionment, and you call for 60 feet, and they run 60 feet. If it is not used by the railroads during any portion of that run for any other business except the mail service, why should not the Government pay for that if the initiation comes from the Government's representative?

Mr. STEWART. There is no question at all between us on that. We would pay for it.

Senator WEEKS. Why would you not be on all fours with the sleeping-car service? Suppose every time that train leaves St. Louis with a full car of mail, 60 feet, and two sleeping cars filled with passengers; they have to run those two sleeping cars through, although they are dropping the passengers all the way down, and perhaps they do not have half a car when they reach the Mexican border, but sometimes they have a full car. I should think one service was on all fours with the other; it is necessary to run the car at some part of the trip, or the two cars, because there are two carloads of passengers, and there may be. I should think it was on all fours with the mail service of that character. If it is necessary to run the cars through at all it seems to me you should pay for the whole service.

Mr. LLOYD. Let me ask another question. It seems to me that it all hinges on what the definition of a round-trip car run is. As I understand General Stewart now, he construes that to mean the round trip of a run which they have established.

Mr. STEWART. No, Mr. Lloyd; I am sorry that I have not made myself plain. This is what I intended to say: That car runs must be considered with reference to the stated route over which it is operated, and necessarily so. We have to state the service by routes.

Senator WEEKS. Why do you have to do that?

Mr. STEWART. I will come to that in a moment. Then, necessarily, the payment for all car operations over that route must be separate and distinct from the payment on other routes.

Senator WEEKS. Why is not a route the distance from St. Louis to the Mexican border instead of from the Mexican border to San Antonio?

Mr. MCBRIDE. There are three different railroad companies involved there.

Senator WEEKS. Why is it necessary to divide a route by the companies operating?

Mr. MCBRIDE. I presume it is necessary, because the companies desire to have the revenue accruing to each company paid to each company.

Mr. STEWART. We contract now with separate companies. We never consider the practicability of contracting with joint companies, but that might be done.

Senator WEEKS. For a car goes through over different tracks on a route.

Mr. STEWART. It might be done.

Senator WEEKS. Would not that simplify the matter very materially?

Mr. STEWART. If there was any advantage in it.

Mr. MCBRIDE. It would put on the railroads the burden of dividing the revenue between themselves.

Mr. LLOYD. Could you not do this? I do not know the facts about it, but suppose you have a through mail car from St. Louis to the Mexican border and you have to Texarkana, Tex., a through 60-foot car and a 30-foot compartment. Why could you not call the 60-foot car run a route, as far as that particular service is concerned, and the other, to Texarkana, a route so far as the compartment car was conconcerned?

Mr. STEWART. That would make such a multiplicity of routes it would be very difficult to administer, and you can accomplish exactly the same purpose by stating the routes as we do now, which conform as nearly as practicable to the car runs.

Mr. LLOYD. I am trying to get at the trouble that is between you people and the railroad companies; they say you are going to do just about what they say you are going to do, and I am trying to make it appear that you ought not do that way.

Mr. MACK. Take, for instance, a 30-foot car that Mr. Lloyd suggests, which is the second car on the train. We would have to furnish 30 feet of space on the train, where the Government already requires a full car. For instance, in this through service that Mr. Lloyd refers to we would have no passenger use for a 30-foot apartment car in service of that character. We could not use space in it at all. We have to build up our train with baggage, sleeping, and passenger cars for the general business, and your demands for a 30-foot car on a train of that character would compel us absolutely to haul the 60-foot car with 30 feet of space that we have no use for whatever.

The CHAIRMAN. Suppose that that authorization extended over 30 days and the pay extended over 30 days whether it was used or not. Would you not have opportunity of adjusting your business to utilize the 30 feet of space?

Mr. MACK. On trains of that character we could not use it.

The CHAIRMAN. Could you not adjust your business so that your 30 feet could be used for baggage or express service?

Mr. MACK. No. On trains of that character an apartment for baggage space is of no value because we must make provision in large cars. In this case we use 70-foot baggage cars for service of that kind to take care of our baggage and express. A request for a 30-foot apartment car is absolutely to us a request for a full car, and on such trains we would hesitate very much to furnish it, if possible. Take, for example, what the effect of it would be. The effect would be on this proposed rate, on a land-grant road, to pay 7½ cents a mile for hauling a car on a heavy train with perhaps 10 or 12 cars. It is a very serious matter with us to consider a second car under such circumstances.

The CHAIRMAN. Take the conditions as they exist to-day. You are called on by the department for a 30-foot apartment car. What do you do? Put on a 60-foot car?

Mr. MACK. We do not happen to have such cases on our line. We would be unable to furnish 30-foot cars for that kind of service.

The CHAIRMAN. What kind?

Mr. MACK. For a supplemental car on a heavy through train of this character.

The CHAIRMAN. If they call for 40 feet, what would you do?

Mr. MACK. We would have to furnish a 60-foot car.

The CHAIRMAN. What do you do to-day with the excess 20 feet of space?

Mr. MACK. It is in the postal car. We furnish a 60-foot car if they call for a 40-foot car.

The CHAIRMAN. What do you do with the 20 feet of extra space?

Mr. MACK. Nothing at all.

The CHAIRMAN. In no instance?

Mr. MACK. No, sir.

The CHAIRMAN. It is not utilized by the railroad for any service whatever?

Mr. MACK. No, sir.

The CHAIRMAN. It is not?

Mr. MACK. No, sir; it is not.

The CHAIRMAN. What would be the objection to stating the pay of the railroad runs and the service by routes? You say it is necessary to designate your service by routes. Is it possible to designate the service by routes in order to arrange for the pay by car runs?

Mr. STEWART. That is exactly what we would do under this proposed law.

The CHAIRMAN. You would?

Mr. STEWART. Yes.

The CHAIRMAN. Then you would pay for the car run for the maximum authorization the full round trip of the car run, would you?

Mr. STEWART. Yes; over the route.

The CHAIRMAN. Over the runs?

Mr. LLOYD. He says over the route.

Mr. MCBRIDE. The run might cover several routes.

Mr. STEWART. The supposed car run may cover the trackage of several companies. We contract with one company for the service. We do not contract with two or three companies.

Mr. LLOYD. Of course not. Just exactly as they do with the Pullman coach. Here is a coach put on at St. Louis that goes to the Mexican border. You make a contract with the initial road which takes it through to the end, and it does not make any difference how many companies there are handling it. It is nothing to the passenger or passengers what arrangements may be made with the several roads, just as long as they get the service.

Mr. MACK. Here is the Great Northern with a clearer case than that. There is one route, one railroad, from St. Paul to Devils Lake, where they use a 60-foot car; from Devils Lake to Glasgow they allow 40 feet; and from Glasgow to Spokane 30 feet, and from Spokane to Seattle 50 feet.

Mr. MCBRIDE. That is not all one route.

Mr. BASKERVILLE. It was when you made up Document 105—one route from Fargo to Spokane.

Mr. LLOYD. Is it a through car that goes from St. Paul to Spokane?

Mr. BASKERVILLE. Yes, sir; from St. Paul to Seattle—the route ran from Fargo to Spokane when Document 105 was made.

Mr. MCBRIDE. It does not run from St. Paul to Spokane?

Mr. BASKERVILLE. You have given 60 feet from Fargo to Devils Lake, 40 feet from Devils Lake to Glasgow, and, on the same route, 30 feet from Glasgow to Spokane. We have to run a 60-foot postal car.

Mr. MCBRIDE. It is occupied by storage mail?

Mr. BASKERVILLE. Not at all. You did not give us any credit or allowance for it.

Mr. MCBRIDE. Do you mean in Document 105?

Mr. BASKERVILLE. You did not allow it in your calculation in Document 105. You did not allow for 60 feet, and you charged that back into the passenger space.

Mr. MACK. The point of the matter is this: The proposition is whether in that case a 60-foot car should be authorized from St. Paul to Seattle?

Mr. BASKERVILLE. Fargo to Spokane, we will put it.

Mr. LLOYD. My notion was, as I read this law, that it was the car run, and if the car ran from St. Paul to Seattle and return you would get pay for 60 feet of space; but that is not, however, the intent of Gen. Stewart.

Dr. LORENZ. Should not the car run be taken into connection with the train run?

Mr. LLOYD. I am using his language. The language here is the car run, and I understand the car run is the run of the car; if the car runs from St. Paul to Seattle and return, that is the round-trip car run of that car.

Dr. LORENZ. But there may be cases in which the car run is longer than the train run?

Mr. MACK. Yes. A train may start at one point and break up into different sections at junction points, but you can not break a 60-foot car into a 50-foot car or a 40-foot car; and, in this case, on the Great Northern, you can not change it from a 60-foot to a 40-foot car, and then from a 50 to a 30-foot car.

Dr. LORENZ. My idea is, when the company breaks up the train it is no hardship to assume there is a new starting point, and they may then authorize what they please.

Mr. MACK. There is hardship whether the train is broken there or not, but it has no bearing on the matter whatever.

The CHAIRMAN. The hardship being what?

Mr. MACK. There would be a hardship because we would have to run the car through or change to a different car. If you change to a different car you would have to delay the train perhaps an hour transferring the mail, so that these movements of cars are not based on convenience of the railroad at all, but they are based on the necessities of operation; they are transportation propositions, pure and simple.

Mr. LLOYD. Does not this extend the car-run proposition? The car run, as Gen. Stewart would construe it, is the run of the car to the end of a route and return. Now, if that same car goes farther, theoretically it is not the same car, it is the car in another route, and the pay would be based on the run of that car in the next route; then, if it passed over the third before it has reached the final terminus of that car, it would be, so far as the law is concerned, a different car again, and you would receive pay in accordance with the demands of that route in round-trip service. It seems to me that that works a hardship on the railroad, and that the car, if it makes the run, it does not make any difference how many routes there are, ought to be paid for the run it makes.

Mr. STEWART. The tendency would be to make the routes conform, as nearly as practicable, to the car runs. That would be the tendency under the new plan.

Mr. LLOYD. Let me state it a little differently: Suppose in starting out from St. Louis the needs of the department require two full railway post-office cars. You need one of those through to the Mexican border, you need the other one to Texarkana; at Texarkana you take off one car and the other goes through to the Mexican border and makes its return. My notion would be, possibly I am wrong about it, that this full car that runs from St. Louis to the Mexican border and return should be paid for according to the maximum use of that car at any point on that run. The other car, the one to Texarkana, would pay for full space only to Texarkana and back, because that is as far as it went.

Mr. STEWART. The practical operation of it would be as you say. This Great Northern case is a good example of what we believe would occur. That is a case where the authorization of the car space between those extreme points, 1,800 miles, is changed from time to time because the needs for distribution space throughout that long distance across the country change and it could not be otherwise under the existing statutes. But we always have mails to carry across the continent, and the difference between 60-foot and 40-foot authorizations would entirely disappear on that route, because the distinctions between distribution space and storage space will not exist under the proposed plan.

Mr. LLOYD. What is the objection to have the law specify the pay that way, if that will be the practical operation? In your judgment, what is the objection to having the law so designate and specifically so to make certain that the pay would be dependent upon existing law and not upon personal opinions?

Mr. STEWART. The objection is this: That the result that Mr. Mack and Mr. Baskerville are seeking to accomplish, and the result which

I state would be the practical one under this suggested plan, must be accomplished through the administration of the service as it exists at the time, and you can not frame any law which would meet that specifically without completely tying the hands of the department and compelling it to pay in any event the maximum rate.

Mr. LLOYD. It seems to me there could not be any question when you demand a full R. P. O. car they are to receive so much. If you demand an R. P. O. car they shall receive that pay. If later on you authorize two R. P. O. cars they would then get pay for two. If still later on you needed three, they would get paid for three. It looks to me like the expanding of the service is fully provided for in the bill which you propose, and you provide for additional service and provide pay for additional service. It seems to me you have that safeguard.

Mr. STEWART. That is my own view about it.

Mr. MACK. We know how difficult it is, in the law, to state specifically what must be done. Then in reference to our pay, the one-tenth of our pay provides that we shall be paid on a round-trip basis. As I understand, there is no question but what for many years we were paid on a round-trip basis. The department some years ago started in the half car line proposition and split the lines, and the Supreme Court sustained the position of the department in that matter. The department has discretion in the matter to-day of the full R. P. O. car space, representing only one-tenth of our pay. Even with only one-tenth of our pay the department does not accept the principle that the maximum needed over the operating run in both directions should be paid for. How much more difficult would the situation be when ten-tenths, or the whole of the pay, was involved in questions of discretion of that character.

Mr. LLOYD. Very marked differences, according to my construction of this law, because it specifically proposes that the maximum shall be the basis. That is not the law to-day.

Mr. MACK. But it does not provide for the length of run or through movement of the car.

Mr. LLOYD. It provides for full car runs. It may be that some suggestion right there as to just what is meant—and that is what I have been trying to get at for the last hour, just that very thing—so that we may fully understand the difference between Gen. Stewart and the railroad people at that point.

Mr. MACK. If we would accept that principle and apply it to the space in 1909, it demonstrates that we are underpaid over $15,000,000, and that under any provision of this kind our pay should be increased $15,000,000.

The CHAIRMAN. In that connection your statement and assertion just made to my mind is capable of the construction that you would receive, under the new plan suggested by the department, if adopted and enacted into law, $15,000,000 more than you receive in pay to-day.

Mr. MACK. If the rates were fixed equal to the earnings on the passenger service. But if we take the space herein proposed, which seems to be entirely fair, we come immediately to the question that we think settles the question of underpay very, very clearly and the amount of it.

Dr. LORENZ. The amount of $15,000,000?

Mr. MACK. Yes, sir.

Dr. LORENZ. I do not think so.

Mr. MACK. The actual car-foot miles, a little over $15,000,000.

Mr. LLOYD. Now we have this thing narrowed down to two questions, one, the discretion of the department with reference to the runs and the other the question of the rate. I am speaking of the rate of the storage and apartment.

The CHAIRMAN. As I understand it, the difference between the department and the railroads is that the department wants the authority to route the pay, the railroads want to bind the department to pay them on car runs under the law. Is that a correct statement?

Mr. LLOYD. That depends on the construction of the words "car run" used in the proposed law.

The CHAIRMAN. Dr. Lorenz, in that connection, in the tentative draft that you have submitted, what was your idea in making the bill provide for runs instead of routes?

Mr. LORENZ. It was to meet this very difficulty that has been brought up here.

The CHAIRMAN. Do you think that your plan did meet the difficulty?

Dr. LORENZ. I rather thought it did. I think even that might require some elaboration, because I have not thought of the case where the car runs were for longer distance than the train runs. Some one called my attention to the case of a car which started in eastern territory and went through to Chicago or Omaha.

Mr. SCOTT. There are several storage cars from New York to Omaha, or Council Bluffs.

Dr. LORENZ. I should think since there was a general break-up of trains at Chicago, that the natural authorization would stop at Chicago and begin again at that point?

Mr. SCOTT. That is the question. Where does it stop?

Mr. WORTHINGTON. I do not think Chicago is a typical illustration of the breaking-up point, for the reason that nearly all trains passing through Chicago from the east to the west are delayed a considerable time, which is not the case at ordinary railway junction points. That would not apply to the car mentioned by Mr. Scott from New York to St. Louis, which operates, as I understand, entirely over the Pennsylvania lines.

Mr. SCOTT. That is a car that operates over seven different routes and four different corporate companies, all on one system, and the car runs through from New York to St. Louis. When that car leaves New York on the first route between New York and Philadelphia it will have an average load of, say, three and one-half tons, and when it gets to St. Louis over the Vandalia road the average load would be about two tons. Dr. Lorenz's basis of pay contemplates an augmentation of his rate on the basis of the tonnage, which would result in that case, if that was made a mail run from New York to St. Louis, in throwing part of the pay of the Pennsylvania Railroad on to the Vandalia Railroad, an entirely different company. That is why I thought that Dr. Lorenz's mail lines might be defective.

Dr. LORENZ. I agreed to that proposition, but inasmuch as I am willing to omit the difference in weight as a basis for condition in pay, I think that objection would fall.

Mr. SCOTT. I do not know whether that is less objectionable than the mail routes.

Mr. WORTHINGTON. I think Dr. Lorenz has mentioned the vital point. He says he is willing to omit the allowance because of difference in weight, and that is the very factor that enables, at the present time, the heavy traffic routes to run mail trains with some profit, which would be denied them on a space basis, making those trains extremely unprofitable. If the general question of pay, based on space, is up for discussion I would like to read into the record a protest on behalf of the Southern Pacific on the space basis.

The CHAIRMAN. Before doing that and before Mr. Mack completes his testimony, I would like to get Mr. Gaines, who is the division superintendent of Railway Mail Service for the eleventh division and who lives at Fort Worth, Tex., an opportunity of asking Mr. Mack some questions which he wished to ask while Mr. Mack was reading his paper.

Mr. GAINES. Mr. Chairman and gentlemen, I think it may be of interest to know that this particular train under consideration—the St. Louis-Mexican train—where it is proposed to make a car run, starts out of St. Louis with mail in five different cars. One of those cars, the mail car, is cut out at Little Rock, Ark., the mail tied out of the racks, and that going forward is transferred at Little Rock either to one of the baggage and express cars in the train or into the other mail car, the one which runs through to the Mexican border. At Texarkana, the point that has been mentioned here as a place where the car could not be handled, one of the cars containing mail and express is cut out. The third car containing mail and express is cut out at Palestine, Tex. The mail car, with mail in the express car, runs through to Laredo, the Mexican border. For distributing purposes a 20-foot apartment car would suffice between San Antonio and Laredo. The department credited 45 feet of space to the mail between San Antonio and Laredo, leaving 25 feet for storage. That storage mail consists entirely of through Mexican mail, for which the company is paid by weight, which, as a matter of fact, when it was being handled in large quantities before the Mexican trouble, was being loaded in the baggage or express car at St. Louis and went through to Laredo in the express car and not in the mail car. If I am mistaken in any particular I would be glad to have Mr. Mack correct me as to my understanding of the car movement. Is that correct, Mr. Mack?

Mr. MACK. No. That car is run through for the specific purpose of avoiding transfers.

Mr. GAINES. I am making simply a statement of fact as to the way the car is handled.

Mr. MACK. No question exists about that.

Mr. GAINES. The mail which is credited with 25 feet of space is carried in the express car and not in the mail car.

The CHAIRMAN. Why, if you only needed 25 feet for distribution purposes, did you allow 45?

Mr. GAINES. We have not allowed that. I am not entirely familiar with this, but the information the department called for was the space occupied for distribution and by storage mail in November, 1909. In our reply we not only informed them of the amount of space occupied in the mail cars, but the space occupied for storage purposes also, and we gave them the information, as I recall it, that the mail service required 45 feet of space between San Antonio and

Laredo, 25 feet of that space to be charged or credited to storage space and not to space for mail distribution. I thought it might be that showing that this particular train was broken up in that way, might serve to point out the fact that it would not be impossible to handle mail cars in the same way if the department were paying by space instead of by weight; at least, I thought it might be of interest in that connection on this particular train, which was referred to as a train which, on account of its through service, necessarily could not be stopped en route to make any change in equipment by being broken up and a car dropped out at Little Rock, a car dropped at Texarkana, and a car dropped at Palestine.

The CHAIRMAN. The dropping of a car from the train is the same as changing mail from one car to another on the train?

Mr. GAINES. No; that would require more time. As a matter of fact, however, at Little Rock, that operation is very largely performed. The mail is taken out of what we call the Arkansas car, the car that is operated for the purpose of distribution of Arkansas mail between St. Louis and Little Rock; that car is cut out and all the mail in that car is transferred to other cars.

The CHAIRMAN. Is that done under your direction or under the railroad's election?

Mr. GAINES. They are only paid for that car to Little Rock, because that is as far as the car is needed for distributing purposes, and they elect to cut the car out at that point and transfer the mail either to the storage or mail car.

Mr. MACK. If I may explain, that is the mail that still remains in the car at Little Rock, and that car is the local car that runs from St. Louis to Little Rock, and practically the principal part of its load, and almost its entire load, is delivered from the train before the train gets to Little Rock. We do not object in case of that kind to the car being cut out; it is very proper that it should be cut out, because it is not needed beyond there. There are probably a couple of truck loads of mail to be transferred at that point, and it is transferred while the necessary change of engines is in process at that point.

Mr. GAINES. Would not that same reason apply to a car cut out at any other point?

Mr. MACK. In that event you would have trains of several cars more than we have now. We have trains built up now on a basis of traffic as near as possible to adjust it from initial points to get a through loading. For instance, on this train at this time there are three baggage cars on that train. In order to secure exactly the transportation proposition of eliminating all transferring, instead of putting all the mail in one car, and for the purpose of avoiding transfer, we split up the transfer mail and it goes into the three cars with the baggage and express. At Texarkana we cut out a car that contains the mail and baggage and the other cars go through to Palestine and Laredo with the overflow mail and baggage. It is a pure, simple illustration of what we have been trying to show here, that through car movements are essentially a part of the transportation and operation, and that is the point that the department did not recognize in Document 105 in its report of space.

The CHAIRMAN. Is it recognized in the present suggested plan?

Mr. MACK. I do not think so; no, sir. That is the point at issue. That is where the difference exists between the department and ourselves and it applies to apartment-car service as well as full postal-car service.

Mr. GAINES. It occurs to me, in any case where we had a route terminal or any arrangement for changing from one sized car to another, or from a three-car train to a two-car train, or from a two-car to a one-car train, as the case may be, that where the mail had necessarily diminished by being put off at local stations, just as Mr. Mack refers to in the case of the Little Rock car, that there would be no more difficulty in making the change at that point than there is now at Little Rock. It might well be that we could not perform service, in fact, I am sure we could not perform service if we were paying for the entire space occupied by the mail. We could not go beyond Texarkana with one car, it would be two cars or three cars, but we might cut out a car at Texarkana or Long View Junction or any other point where the particular mail that was being handled in that car that we propose to eliminate from that train had been reduced to such an extent that we no longer needed it. I think the same would apply to a reduction from a 60 to a 50 foot car or 40-foot car, as the case may be. I do not see anything impossible about it. In the case Mr. Mack referred to, of the fast-mail train, it would be one of the hardest problems we would have to contend with, but I can not believe it would be entirely impossible, the department paying for all the space that it needed to handle the mail. If we had to have two cars at San Antonio or Palestine, I think whenever the needs of the service could be met by less space than we started out with than we had at that particular point, it would be possible to eliminate the car.

The CHAIRMAN. Does not the department absolutely control the car run?

Mr. GAINES. As I understand it, that is what the railroad company now wants to control.

The CHAIRMAN. I say, does not the department absolutely control the car run?

Mr. GAINES. We pay for cars over certain lines; that is true.

The CHAIRMAN. The car is sent where the department authorizes it to be sent?

Mr. GAINES. It is authorized between certain points.

The CHAIRMAN. Then, the department controls the car run?

Mr. GAINES. Not absolutely.

The CHAIRMAN. Why not?

Mr. GAINES. I will say in some cases of through-car service, where from some standpoints it would be better to have another car set into the train, we would agree to the other car operation for the purpose of eliminating any possible delay.

The CHAIRMAN. You assent to it?

Mr. GAINES. Yes.

The CHAIRMAN. Consequently you control it?

Mr. GAINES. Yes.

The CHAIRMAN. You direct it, and the Government directs every car run?

Mr. GAINES. In that sense, yes.

The CHAIRMAN. Do you concur on that, General Stewart? Is that the case, that the Government absolutely controls every car run?

Mr. STEWART. I do not think I could answer yes to the question that you have in mind. The way I understand your question is this, does the Government, to the exclusion of the railroad company's management, control the operation of these cars? I should say, no. We control them only so far as we authorize the space, and we do control that far. Between the railroad company and the department comes in this zone of mutual agreement and cooperation in the operation of the service.

The CHAIRMAN. The railroad has no discretionary power in the activity whatever. In other words, their hands are tied so far as having any say in the authorization of the department?

Mr. STEWART. Theoretically that is so. We cooperate with each other. If the railroads do not have the cars, we say we will wait.

The CHAIRMAN. But the power of initiation in every activity lies with the department itself?

Mr. MCBRIDE. Not always in the operation of the car.

The CHAIRMAN. It does in the pay?

Mr. MCBRIDE. Yes. But, for instance, we authorize a line of cars between certain points, and we only need an apartment car the rest of the way. For operating reasons the company may want to operate that car through.

The CHAIRMAN. And you assent?

Mr. MCBRIDE. Yes; we assent.

The CHAIRMAN. They can not do it without your consent?

Mr. STEWART. They could.

Mr. MACK. Let me illustrate that point by using the Union Pacific experience between Kansas City and Denver. The Union Pacific had an authorization of a 40-foot mail car from Kansas City to Denver, and the department decided that they did not need this 40-foot car beyond Ellis, Kans., even with only one-tenth of the pay involved, with the smallest unit of 40 feet, they decided they only needed 30 feet beyond Ellis, and they gave the railroad company the opportunity of delaying the train at that point and transferring the mail into a 30-foot car because they did not need a 40-foot car.

Mr. WORTHINGTON. They are now being paid for the 30-foot car?

The CHAIRMAN. Did the railroad company do that?

Mr. MACK. My understanding is they temporarily did, and paralyzed the train service so that they had to stop and run the car through. So that would be the experience of the railroads, which shows an absolute necessity of the recognition of the car that started out at the initial point and recognition of it through its operating point. This train ran between Kansas City and Denver.

Mr. STEWART. Mr. Mack is referring altogether to conditions which arise under a law which fixes two bases of pay and which gives the department power to exercise judgment with reference to one case where we pay for additional space.

Mr. MACK. That proposition would be vastly worse when there were ten times the pay involved and it covered the transportation service also, because if the department then started out with a 40-foot car, or, perhaps, conceding here that the load as well as the distributing facilities were involved, that they started out with a 60-foot car, then when they got to Ellis they would say they needed a 50-foot

car and at some other point a still smaller car. There is a situation which would be much worse under a space plan than it is to-day, where the questions at issue involve comparatively a small amount of money.

Mr. BANDEL. I happen to be familiar with that case because I believe I prepared the draft for the order. The facts are that the run is from Kansas City to Denver, 500 miles, and the mail largely went through to Denver and we paid additional only for distributing facilities. From Ellis, Kans., to Denver the clerk slept and, of course, we did not need any distributing space.

Mr. MACK. But on a space basis the men would not sleep.

Mr. ROWAN. Mr. Chairman, I have a better illustration than that between Utica and Massena Springs. We have train service there where the department authorized a 40-foot car between Utica and Watertown and the department said they only needed an apartment car between Watertown and Massena Springs, so, in order to comply with the exact requirements of the Post Office Department, we operated the full car as far as Watertown and then we put on an apartment car from Watertown to Massena Springs. That is not what the department wanted and the superintendent of the Railway Mail Service in New York came to me and asked me whether I would not operate the full railway post office car through to Massena Springs because it took an hour to tie out the mail in order to make the transfer of cars at Watertown and it took some little time to set up the sacks and label them to do the distribution from Watertown to Massena Springs and it was delaying the mail and they could not perform the distribution and the clerks were complaining. I objected to doing that. I said we are going to give you exactly what you ask for and cooperate with you in every way, but if you want a full car through you ought to authorize it, and we negotiated back and forth and finally the department, in order to prevent a transfer being made at Watertown, authorized the car from Utica through to Massena Springs. In that particular case it was possible to make the transfer; there was sufficient time at Watertown to do so, but in most cases where they changed an authorization from 60 feet to 40 feet and later changed it in the same train to 50 feet there is no time to make the transfer, even if we had the cars and maintained the through schedules that the department wished and which we have to make in connection with our passenger service.

The CHAIRMAN. Is this isolated, or are these cases of general instances?

Mr. ROWAN. This is an actual case.

The CHAIRMAN. But it is an exception rather than the rule?

Mr. ROWAN. It is the first case I have had on the New York Central Lines. I am sure if we attempted to change cars every time the department changed their authorization that the department would not change the authorization. But we can not do it, because we haven't got the different size cars. Furthermore, our schedules would not permit the delays incident to making changes in size of cars en route.

The CHAIRMAN. Has the New York Central a standard-sized car?

Mr. ROWAN. Yes, sir; a 60-foot car.

The CHAIRMAN. All your cars in passenger trains are 60 feet or over?

Mr. ROWAN. Yes, sir; and every apartment car. We are building to-day 50 all-steel 30-foot apartment cars. These are all 60-foot cars.

The CHAIRMAN. All the cars on what are known as passenger trains are 60 feet or over?

Mr. ROWAN. So far as I know; yes, sir.

The CHAIRMAN. The purpose being what in building them 60 feet, increased speed and decreased cost of operation?

Mr. ROWAN. I do not know the exact reasons for building them 60 feet long.

Mr. WORTHINGTON. You can realize a passenger car has to have two trucks, regardless of its length, and naturally a 60-foot car is more economical to operate in proportion to its loading capacity than a shorter car.

The CHAIRMAN. And I understand for that purpose a 60-foot car has been adopted as a standard car by all the railroads?

Mr. WORTHINGTON. Sixty feet or more.

Mr. MACK. As to the cars being built at this time.

The CHAIRMAN. I mean that is the present and future policy, so far as is known?

Mr. MACK. Yes.

Mr. MCBRIDE. Referring to the case Mr. Rowan brings up, I think it sufficient to say that the department, as soon as the facts were learned, paid for 40 feet in each direction.

Mr. ROWAN. Mr. McBride himself asked me if I would not operate the full car through to Massena Springs, but in lieu of an apartment car from Watertown, so as to avoid transfer.

Mr. STEWART. I want to call your attention to the fact that these complaints are directed entirely to the administration of the service at present.

The CHAIRMAN. You mean under the present conditions and law?

Mr. STEWART. Yes. Further, it appears from Mr. Rowan's statement that, notwithstanding the fact that the present law authorizes the Postmaster General to pay for 60 feet, 50 feet, and 40 feet railway post-office cars, and he knows that it is the practice of the department to-day, and has been for a long time past, to scrutinize carefully the matter of space for which we give additional pay, they are nevertheless building 60-foot cars and none other. I take it also that Mr. Rowan does not expect to go on the space basis because he is here opposing it, and I assume that he is satisfied to build 60-foot cars and provide them wherever we need 40-foot authorizations or 50-foot authorizations. Furthermore, notwithstanding the fact that he knows that we have plans for 10, 15, 20, and 25 foot apartment cars, he says they are building nothing but 30-foot apartment cars. They are, therefore, willing to continue giving us 30 feet of space, notwithstanding the fact he knows we may not need more than 10, 15, or 20 feet.

Mr. ROWAN. We were living in hopes and do hope that some day the thing will be corrected. We are not satisfied, and we are in hopes that some day it will be corrected and the department will recognize a standard car, and when they want distribution facilities they will authorize a standard car. Now, the 40, 50, and 60 foot cars, as I understand it, were originally put into the law at the time when there were different sizes of cars, and the law was made to fit the conditions that existed at that time, and since that time the depart-

ment has gone to the different-sized authorizations. Originally it was made to fit the different-sized cars that existed.

Mr. MACK. In building steel cars, Mr. Chairman, it is not an easy matter, but it is almost possible in building steel equipment to change the length of cars to conform to the views of the department with reference to the amount of space needed on a particular train. Railroads building cars to-day certainly do not overlook the fact that we have parcel post, and the parcel-post growth is not going to be in the direction of small cars, but it is going to be in the direction of larger units, and it would not be a sound proposition to build steel cars with 10-foot apartments with the expectation that it might be necessary later to turn them later into 15 feet and later into 20 and later into 30. So that those are reasons, and very complete reasons, for the action of the New York Central and the action of our own lines. We are building 21 to-day with 30-foot apartments—steel cars—and it is based upon these primary reasons.

The CHAIRMAN. You are building 21 60-foot cars with 30-foot apartments?

Mr. MACK. Yes.

The CHAIRMAN. Mr. Gaines, have you finished your discussion with Mr. Mack in reference to these concrete instances Mr. Mack has submitted?

Mr. GAINES. Mr. Chairman, there was another point I wanted to inquire of Mr. Mack upon. The report that the department received of the particular case of space between San Antonio and Laredo came from my office, and Mr. Mack, in his statement a while ago, claimed that it was a necessary movement of the through car between San Antonio and Laredo, and therefore that 60 feet of space was charged, but I do not see the reason for that statement. The heavy mail which we credited with 25 feet of linear space is carried in the baggage car and not in the mail car, and therefore I see no reason for the operation of the through mail car beyond San Antonio, at which point the department ceases to pay for it as a full railway post-office car. If Mr. Mack will enlighten me on that subject I will be glad to have him do so.

Mr. MACK. The car, as I pointed out, was operated through because of the necessity of avoiding transfer and because of the necessity of avoiding any delay in connection with it on account of the Mexican National Railroad connections, which had an arbitrary departing time, and we absolutely had to run the car through.

Mr. GAINES. Did you not have an hour's dead time at San Antonio?

Mr. MACK. No; we never did have an hour's dead time at San Antonio.

Besides, the train, of course, can not always be depended upon to be on time at the end of a thousand-mile run, so that it was primarily an operating necessity. We did not operate it just for the purpose of hauling the car.

Mr. GAINES. I can not agree with that proposition, because the heavy mail was in the baggage car and was not in the mail car.

The CHAIRMAN. And went through the run of the baggage car?

Mr. GAINES. That was the heavy mail—the Mexican mail—that was in the through baggage car and not in the through mail car.

Mr. MACK. The registered mail, I think, without getting into any controversy about how many bags or pounds there were, for Mexico is usually heavy and has to be carried in the postal car. We could not get it in a 20-foot car—the registered mail alone.

Mr. GAINES. There is another point I would like to ask Mr. Mack about, and that is his statement that mail arriving at Shreveport, where a certain apartment-car run emptied, was carried in the same mail apartment car between Shreveport and Marshall. If that was done, it was improperly done; the railroad company had no right to carry mail in the mail apartment car where there was no clerk on duty, unless the matter had been taken up with the officials of the Railway Mail Service and an agreement had been reached whereby, for the convenience of the railroad company, the mail would be allowed to remain in the mail apartment car and the mail apartment car would not be locked with a mail lock, but would be locked with a switch lock and entirely under the control of the railroad company, just the same as though it was in a baggage car.

Mr. MACK. That entire presumption, with regard to the space, is that it was in our custody, and if it was in our custody we have the right to carry the mail in any part of the train that is in our custody. It does not make any difference to the department whether it is in the mail, baggage, or apartment car, and if we carried it there for our convenience, certainly the question of propriety which you raise is not involved at all, for the department's rule can not apply over cases of that kind.

Mr. GAINES. We have allowed some cases of that kind after correspondence with the railroad companies, and upon their agreeing to see that the mail-car doors were secured with a switch lock, and it being understood it would be entirely under the control of the railroad company. Recently we have had a case where the mail-car doors were not secured and where a tramp, or someone, had gotten in there and robbed the mail pouch, and we have refused to allow that arrangement to continue.

The CHAIRMAN. Would not that be a criticism on your own judgment in permitting it in the beginning?

Mr. GAINES. In that particular instance it looks like our judgment was wrong; that the railroad company did not properly protect it.

Mr. PETERS. If there was anything in there for a tramp to rob and you keep it under your supervision, it must be in your service.

Mr. GAINES. It was not operated under our service.

The CHAIRMAN. The committee will now take a recess until 2 o'clock.

(Thereupon, at 12.40 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The CHAIRMAN. Mr. Worthington, have you got your statement?

## STATEMENT OF MR. W. A. WORTHINGTON.

Mr. WORTHINGTON. The discussion this morning dealt with the administrative features of the space basis. On behalf of the Southern Pacific Co. I would like to place in the record a respectful protest

against the confiscatory nature of the proposed department space measure as applied to the lines which I represent, and in doing so will base my conclusions on the department's apportionment of space and expenses found in Document 105. The Southern Pacific Co. to reach the valleys of California must cross high mountain ranges with maximum grades of 116 feet to the mile or more, our heaviest traffic mail route, involving the lifting of trains almost from sea level to an altitude of 7,000 feet in a distance of 80 miles. Because of distance from eastern markets we must pay excessive prices for rails and other material used in operation, while on account of local industrial conditions our wages paid are the highest in the United States. On our heaviest mail routes we operate a fast expedited mail train, which is moved at much higher speed than the other passenger trains. On the route between Ogden and San Francisco Document 105, page 194, showed that our mail revenue averaged 6.4 mills per car-foot mile, or 38.4 cents per 60-foot car mile. Gen. Stewart says, on page 1261, that the pay under his proposed bill would be 20.91 cents per car-mile, including the terminal allowances, which would be less frequent on our Ogden route because of the long haul. Our annual reduction on this one route would thus be about $400,000.

Our high operating costs are confirmed by the department itself in table 7 of Document 105, which shows a cost for all Southern Pacific lines for operating expenses and taxes of 3.70 cents per car-foot mile, or 22.60 cents for a 60-foot car-mile. The same table shows that we are now receiving 5.25 cents per car-foot mile, or 31.5 cents per 60-foot car-mile, on our total mail traffic, or about sufficient to cover the allowance for other charges against income; 32.57 per cent of the operating expenses and taxes, as computed by department in volume 7, pages 95–96. Note, however, that the proposed pay is only 20.91 cents per car-mile, or below the department's own estimate for operating expenses and taxes only, without any allowance for capital charges, coupled with an obligation under the proposed law to transport the mails at not exceeding these rates. Is not this clearly confiscation of property; and is it fair to ask us to accept such a bill, which is below the department's own estimate of operating cost, to say nothing of a return on our investment, and at the same time expect us to operate the expedited train service? Not only is the plan confiscatory, as far as we are concerned, but it introduces into our passenger service a rate far below the carload earnings received on many classes of freight traffic, and the possibilities in this connection are not pleasant to contemplate. Furthermore, it confines us to a minimum and noncompensatory car-mile revenue and denies us the opportunity which every road should have of taking advantage of economies that may result from heavier car loading. In the past 15 years on our lines material prices have gone up 30 per cent and wages 20 per cent, and a space rate that might have been fair at the beginning of such a period would be ruinous at its close. The Southern Pacific Co. can not protest too strongly against the radical and unjust operation of the plan recommended by the department, which would reduce its compensation below the figure which the department itself estimates is necessary as an adequate return for operating expenses and taxes only, leaving no interest whatever or return on the investment.

The CHAIRMAN. As I understand that, do you think the present method is more equitable as between roads operating under different conditions?

Mr. WORTHINGTON. I think it is much more fair.

The CHAIRMAN. That is, so far as topographical and climatic conditions and varying wage schedules are concerned, the present plan would be much fairer than the suggested plan of the department, if adopted, would be?

Mr. WORTHINGTON. I think so.

Dr. LORENZ. I do not quite understand how varying climatic conditions, grades, etc., can be better taken care of by a weight system than by a space system, for the existing law pays the same rate per ton per mile for a given load per route with reference to one system as on any other in the United States. The law is simply one schedule for the whole country for a given density of traffic. Therefore I do not see why, in that respect, the department's bill is any more illogical and inconsistent than the present law. I admit that any one rate for the whole country can not fit any one railroad company.

Mr. WORTHINGTON. Do you think it would be fair to fix a rate which would be actually confiscatory on one road, simply because it fits the average conditions of the United States?

Dr. LORENZ. The question as to whether you wish to vary the rate for each individual railroad is a question which can be discussed. For the sake of simplicity I assumed that we had arrived at the conclusion that it was impracticable to have a changing rate for every railroad. I think the railroads themselves have discussed that proposition, that it was impossible to have a rate adjusted to every railroad, but the existing law, I say, is equally objectionable as the Post Office bill in that respect.

Mr. WORTHINGTON. So far as the existing law is concerned, we do receive more per car-mile than the average railroad, and in that respect we do make up the difference in operating cost.

Mr. LLOYD. Why do you receive more?

Mr. WORTHINGTON. Because our load per car is more.

Mr. LLOYD. Because you are more fortunate in having more mail?

Mr. WORTHINGTON. The traffic is more concentrated on our lines.

Dr. LORENZ. Could you estimate what is the difference on your line compared with the average for the country?

Mr. WORTHINGTON. That could be done, but I have not done it.

Dr. LORENZ. Are your R. P. O. cars heavier than the R. P. O. cars on the Pennsylvania Railroad?

Mr. WORTHINGTON. I could not say as to that.

Dr. LORENZ. Is it not true that the heavier mail on your line is due to the fact that you operate more storage cars on your long hauls?

Mr. WORTHINGTON. I think we have.

Mr. MCBRIDE. Is it not due also to the fact that practically all your mail is carried on one train, which permits very heavy loading?

Mr. WORTHINGTON. On a very expensive train, which is operated at faster speed than other trains.

Dr. LORENZ. Could you not, under the proposed bill, refuse to provide special mail trains if you saw they would not pay?

Mr. WORTHINGTON. I do not think it was contemplated under the proposed bill that the obligation should be so onerous on the rail-

roads that they should think it necessary to refuse to move fast-mail trains. I suppose we could refuse to move them.

The CHAIRMAN. As I remember, in the suggested bill it is compulsory, and wherever a railroad is forced it has a recourse to the courts.

Mr. STEWART. To carry the mail, but not to inaugurate fast mail trains.

Mr. WORTHINGTON. I understand we have the option of taking off the fast mail trains and placing the mail on the other trains which are now operated.

Mr. MACK. I would like to suggest a point there which will develop this practice, that the authority of the department to require this space on given trains would have the effect, if they required several cars on one of your faster passenger trains, of operating a special train for the mail service. While we could not be compelled under the provisions of the bill itself to operate a specific train, the effect would be to require us to do so.

The CHAIRMAN. I do not agree with you on that.

Mr. MACK. As a practical matter, it would, Mr. Chairman.

The CHAIRMAN. I would like for you to elucidate that a little. He would simply be compelled to operate the mail car on one of the existing passenger trains, but it would be optional with him whether he should continue a fast mail train that solely carried the mails.

Mr. MACK. I agree with you as to that, as to the schedule for the fast mail train.

Mr. MCBRIDE. We have the same provision now, but we do not require the companies to carry mail cars on trains on which they object to carrying them, such as the 20-hour train on the Pennsylvania.

Mr. BRADLEY. Might I ask how this clause in the proposed bill would be interpreted: "The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates and with due speed all mailable matter, equipment, and supplies directed to be carried thereon. If any such railroad company shall fail or refuse to transport the mails, equipment, and supplies when required by the Postmaster General on any train or trains it operates, such company shall be fined such amount as may in the discretion of the Postmaster General he deemed proper"?

Mr. STEWART. Mr. Bradley has read what is practically now the law, and I assume the latter part would arise out of existing law and regulations, but the rest of it is almost in words as the present law now reads. I think it combines one or two sections, and I assume the administration of it will be practically the same as now. I do not see any reason why there should be any change.

Mr. BRADLEY. Is there any law to-day that permits the Postmaster General to impose fines according to his discretion only in such cases, merely according to his discretion?

Mr. STEWART. Yes. All the fines are provided for in the discretion of the Postmaster General; that is, he has discretion to impose such fines as he thinks proper under the circumstances.

Mr. BRADLEY. Is it not limited to three times the price of the trip?

Mr. STEWART. That is a deduction, I think. As I recall it, there is a deduction from pay limited to the price of the trip, where it is

not the fault of the carrier, but three times the price of the trip where it is the fault of the carrier. Fines are imposed in the discretion of the Postmaster General, and the limit of them is not specified in the law.

Mr. BRADLEY. Do you think that the action of the Postmaster General under this clause would be limited as to the extent of fines imposed by the compensation which the railroad company receives for carrying the mails, or might it go beyond that? The language does not seem to restrict the power.

Mr. STEWART. No; nor does the language of the present statute restrict the power. I do not think it would be proper for me to state what the department might do in the future under a statute like this. I can only say that my only guide would be experience and judgment as to the fairness of the case. I know we have not imposed excessive fines in a case of that kind.

Mr. SAFFORD. My recollection is the specific requirement of the law at the present time is that a railroad which refuses to carry mail on its fastest trains may be fined 50 per cent of its compensation.

Mr. STEWART. I think you are mistaken on that.

Mr. SAFFORD. I am sorry I haven't the regulations here.

Mr. MACK. I can say that is correct. Fifty per cent on the fastest trains for failure or refusal.

Mr. STEWART. Is not that a regulation?

Mr. MACK. No, sir; that is the statute.

Mr. WORTHINGTON. I think the limitation which would be placed on the railroads of a fixed rate per car mile is most unfair. Even the obnoxious 2-cent passenger laws would permit the roads, on an average load of 10 passengers to the car, to earn as much as the proposed bill, and there is no limitation on loading the cars to their capacity, if possible. We have no such limitation as to any other class of traffic. Under the proposed rates if carload shipments were made we would probably receive less on our lines for carloads in passenger service, I would say about one-half of what we receive for a carload of coal in freight service. Under the parcel-post act there is no limitation, as I understand it, on weights which the Postmaster General may eventually take over into the Postal Service. It might be easily imagined that sooner or later carloads of traffic might be placed on us to move in passenger trains and move at this fixed rate. I am not speaking so much about the rate as applied to R. P. O. cars, but with reference to storage cars and parcel post.

Dr. LORENZ. You would not suppose that the law could be framed on what might possibly happen when it is entirely probable there will not be greater weights than 2½ tons or 3 tons in an R. P. O. car, or, say, a maximum of 10 tons in a storage car? Suppose they did develop that service? The gross weight of your 10-ton storage car would probably not be any greater than your R. P. O. car with 3 tons, so that I do not see where you would be harmed by the multiplication of the carload service which you mention.

Mr. WORTHINGTON. In this way. The traffic taken over by the parcel post would be withdrawn to a large extent from the express service, for which we are now being paid on a tonnage basis.

Dr. LORENZ. If the people can effect an economy in that way I do not see why they should not do it.

Mr. WORTHINGTON. At the expense of the railroads.

Dr. LORENZ. Provided the cost of the transportation is paid for, certainly.

Mr. LLOYD. It is your computation that you refer to in your statement for the whole Southern Pacific System?

Mr. WORTHINGTON. For the entire Southern Pacific System.

Mr. LLOYD. And your complaint is against the fact that it would affect your system to the extent of $400,000 a year?

Mr. WORTHINGTON. Not exactly $400,000 a year. I mean $400,000 a year on one route, between Ogden and San Francisco. I should say, regarding the system as a whole, it would be in the neighborhood of $1,000,000 a year.

Mr. LLOYD. How much do you now receive?

Mr. WORTHINGTON. We receive $2,500,000. The department says we are receiving on all our mail routes, according to Document 105, 5.25 mills per car-foot mile, or 31.5 cents per 60-foot-car mile.

Dr. LORENZ. Is that from table No. 7?

Mr. WORTHINGTON. From table No. 7.

Dr. LORENZ. That is based on space, excluding dead space?

Mr. WORTHINGTON. Yes, sir.

Dr. LORENZ. Whereas the department, in its proposed bill, would necessarily have to authorize some dead space, the rate which you take out of table No. 7 could not be applied exactly.

Mr. WORTHINGTON. It would probably be something additional on that account, but how much I can not say. However, inasmuch as the department has used Document 105 as an authority, I thought we could use the same document.

Mr. LLOYD. The objection that you read is to a uniform system of pay?

Mr. WORTHINGTON. Under the space basis. We do not object to the present uniform system.

Mr. LLOYD. You do not object to the present system on the weight basis because it happens that your road gets the best of the proposition, but you would object to the proposed bill because you might get the worst of it.

Mr. WORTHINGTON. We would get much the worst of it.

Mr. LLOYD. That is not proof to us that you are not getting too much now. The probability is you are getting $400.000 too much, while under the proposed system you would get what you are entitled to.

Mr. WORTHINGTON. I do not follow you there as to our now receiving too much, when the department shows that our expenses, according to Document 105, was 3.70 mills per car-foot mile, or 22.60 cents per 60-foot-car mile for operating expenses and taxes only. Later on, the department estimated an addition should be made for other charges against income of 32.5 per cent, which would bring our requirement up to 30 cents for 60-foot-car miles, which is practically what we are getting, whereas the proposed pay is only 21 cents. What I am protesting against is the injurious effect on our line of the proposed bill, and how much below the actual cost it is according to the department's own figures for the Southern Pacific.

Mr. LLOYD. Is it your candid judgment that if the proposed bill were adopted, that it would mean a loss to the Southern Pacific Railroad System of $400,000 a year?

Mr. WORTHINGTON. I have not said it would mean a loss to the Southern Pacific System of $400,000 a year. The statement I make is that it would fall $400,000 below our present compensation.

The CHAIRMAN. On that route?

Mr. WORTHINGTON. Yes; that is, that the proposed pay would lower our present compensation by that much.

Mr. LLOYD. I understand on the whole system a while ago you said it would lower it about $1,000,000?

Mr. WORTHINGTON. Yes; on the basis of Document 105.

Mr. LLOYD. I am not talking about Document 105. I am trying to get at the amount and what would be the actual fact, as a practical proposition, if this bill were adopted as a law. Have you made any estimate of your road to determine the fact whether it would increase your pay and, if it increased your pay, how much; or, if it decreased your pay, how much it would decrease it?

Mr. WORTHINGTON. I think I have just said it would decrease our pay according to the department's estimate——

Mr. LLOYD. You say according to the department's estimate. I am talking about your own judgment. You are basing your judgment on what they say. We want to find out what the fact is.

Mr. WORTHINGTON. I am taking the present pay from the reports of the department. They say our present pay is 5.25 mills per car-foot mile, which would be 31.5 cents per 60-foot-car mile.

Mr. LLOYD. In other words, the statement you are making is an answer to the department, rather than a statement of fact. You base your statement on the argument made by the department and, combating that argument, you say what you have said. What we want to get at is the fact. Does it or does it not have the effect of reducing the pay that you would receive to the extent of $1,000,000?

Mr. WORTHINGTON. It will be impossible for me to answer that question because I do not know how much space which the department eliminated in Document No. 105 they would pay for under the proposed bill, but if they paid for all space that is classed as dead space, it would make our present revenue per car-foot mile 4.27 mills in place of 5.25 or 25.62 cents per 60-foot-car mile. Against that the proposed bill would pay us something less than 21 cents a car-foot mile. In other words, if we include all the dead space and receive pay for all of that under the proposed bill, we would still receive a material reduction from the present compensation.

The CHAIRMAN. A little over 20 per cent?

Mr. LLOYD. The result of that would be to reach the conclusion that the department's bill makes the rate 20 per cent too low to meet the present rate of pay. In other words, expressing it differently, that it would be a reduction of 20 per cent in the present rate of pay to your railroad system?

Mr. WORTHINGTON. Yes; that is it.

Mr. LLOYD. What have you to say to that, Mr. Stewart?

Mr. STEWART. Mr. Worthington is basing his argument entirely upon the revenue per car-foot mile, shown by the figures in Document 105. I think the safe thing to do, if Mr. Worthington wants to know what this bill that is now before the commission would do for his road, would be to apply its terms directly to the conditions found on his road at this time. How that would result I do not

know. We have made estimates on various lines, but we haven't Mr. Worthington's with us. I was just asking Mr. McBride if he had it. We could make a statement. I would not want to take the whole system, but we could take any particular line Mr. Worthington will designate and give you the result.

Mr. WORTHINGTON. Of course, I have not a detailed statement but, as I said, if we include all of the dead space which is shown in Document 105, we would still receive a materially lower compensation than we do at the present time if we include all that dead space, and I understand the department contemplates paying for only a portion of that space.

The CHAIRMAN. I would like to ask Mr. Stewart what criticism or comment he might have to make with reference to the statement that including all of the dead space, and allowing it, there would still be this reduction of 20 per cent, and why that is not sound in its application?

Mr. STEWART. You might find some reason for reduction on his route in analyzing the particular kind of service that is required. For instance, if a large proportion of his mails are storage mails, for which he is getting 40, 50, or 60 cents a car-mile, it would account for a large part of the reduction, and I believe that is where much of it will be located. We all understand that it is true, that where we have a heavy storage-car movement, under the present law, the rates will run up to 40 and 60 cents a car-mile.

The CHAIRMAN. Run up the car miles but run down the ton-miles. There is an increase on the car-mile basis but a decrease on the ton-mile basis.

Mr. STEWART. Yes.

Mr. MACK. I showed, with reference to the Denver & Rio Grande, that the loss, by applying the department's bill, would be $124,000, out of the present total compensation of about $310,000, nearly 40 per cent, and on the Iron Mountain $146,000 a year compared with something less than half a million dollars, or between 30 and 40 per cent. So that the loss would be very heavy by the application of the bill to the space, so far as we can ascertain what would be allowed.

Mr. LLOYD. Do you include dead space in that?

Mr. MACK. I include space figured on the department's bill, which is the maximum in both directions, based upon outward maximum needed over that particular route, the exact application of it, as I understood, including the tonnage and including the terminal charges through.

Mr. STEWART. I think it is only necessary to say that the companies are now receiving, in some cases, as high as 60 cents a car mile for storage movement, to indicate that it is altogether too high for that class of service and wherever we find that in the service it should be reduced. I do not think anyone can defend the contention that pay for that particular service should not be reduced. I think it is a question of what it is worth, 18 cents throughout the country, exclusive of loading and the terminal charge.

Mr. WORTHINGTON. That is a service which really enables railroads to run the expedited mail train, it gives them some additional compensation for the extra cost.

The CHAIRMAN. That is the storage-car service?

Mr. WORTHINGTON. Additional pay per car-mile which they get in that way. I think, without question, if they receive the same amount per car-mile as routes which carry less weight and do not furnish that service, it would be very unattractive to them.

Mr. STEWART. I will admit that is a consideration at the present time in putting on fast-mail trains.

Mr. WORTHINGTON. I think you, yourself, said so in your early testimony.

Mr. STEWART. Yes, sir; that is a consideration with the companies now, but that does not change my view in this respect, that if we did not have that consideration to offer you, we would still get the fast-mail trains, and I think it is proper for me to state that I have had assurances from railroad people that I could get fast trains under a statute of this kind.

The CHAIRMAN. At the suggested rate?

Mr. STEWART. Yes, sir.

Mr. WORTHINGTON. I would like to ask Mr. Stewart if the 60-cent rate which he referred to for storage cars took into consideration return movement of those cars?

Mr. STEWART. Yes, sir.

Mr. WORTHINGTON. You mean to say $1.20 in one direction?

Mr. STEWART. No; I misunderstood your question.

Mr. LLOYD. It is 30 cents each way?

Mr. WORTHINGTON. Yes; it makes quite a difference. Most storage cars have to return empty.

Mr. LLOYD. Under this bill you would get pay, the maximum being 18 going out and 18 coming back. There is no question about the back pay.

Mr. WORTHINGTON. I could express that in another way. According to the figure presented by the department of 20.91 cents as the proposed pay for a 60-foot car, that is equivalent to 3.5 mills per car-foot mile. Our pay under Document 105 is 5.25 mills, excluding dead space, and 4.27 mills including the dead space, and the department's own figures for expenses and taxes, according to their apportionment of expenses, was 3.7 mills, or more than the proposed pay on our line for operating expenses and taxes alone, without any return on the investment.

Mr. PEABODY. I would like to ask if I understand Gen. Stewart aright, to say that he had assurances from railroads that they were willing to put on fast mail trains at the rate of 18 cents a car-mile? That is what I understood him to say, and I would like to know if that is correct?

Mr. STEWART. No; you modified my statement somewhat. I said under the provisions of a statute like this we had suggested.

The CHAIRMAN. At the rate suggested here, that is 20 cents a car-mile R. P. O., 19 for apartment and 18 for storage.

Mr. STEWART. That is one of the rates named in the statute.

Mr. MACK. As I understood, these rates have been proposed subsequently to the fast mail proposition that you have in mind. Is not that true?

Mr. STEWART. No.

Mr. MACK. Practically within the last two or three weeks?

Mr. STEWART. Yes, sir. Recurring to the question which Mr. Bradley brought up about the limitation in the present law, which I

find is the act of July 5, 1884, limiting the power of the Postmaster General to fine roads 50 per cent of the amount allowable by law for that particular train service in case the company fails or refuses to transport the mails on the fastest trains; I wish to say, while that is the law, and has been the law since 1884, I have never known of a case where such a fine has ever been imposed or where such a case has ever been presented to the Second Assistant Postmaster General to impose such a fine; so I think that answers the question suggested by Mr. Bradley and the other gentleman as to what will be done under the proposed law.

Mr. BRADLEY. The point I desire particularly to bring out as referring to the position of the Southern Pacific Co. in this supposititious case was that the present law does limit the fine. The proposed law leaves it entirely in the discretion of the Postmaster General.

Mr. LLOYD. That can be very easily remedied if we decide to do anything of that kind by limiting it. There ought to be a limit.

The CHAIRMAN. Mr. Worthington, do the same objections or weaknesses, as they appear to your mind, exist against the suggested Lorenz plan as against the suggested departmental plan?

Mr. WORTHINGTON. Nowhere near to the same extent. As between the two plans, I think the plan suggested by Dr. Lorenz is far superior to a space basis. My only criticism of his plan was that the allowances for increased weights per car did not seem to me to be large enough.

The CHAIRMAN. Why?

Mr. WORTHINGTON. I believe his allowances were about three-tenths of a cent, or something of that sort, for each additional ton-weight per car.

Dr. LORENZ. Per mile. I think that was the practical working out of it.

Mr. WORTHINGTON. I think the amount should be at least 1 or 2 cents.

The CHAIRMAN. The reason being what?

Mr. WORTHINGTON. I do not exactly understand Dr. Lorenz's basis for fixing that allowance.

Dr. LORENZ. The basis was the estimated gross weight of the car.

Mr. WORTHINGTON. What did you take the tare weight at?

Dr. LORENZ. The tare was taken at 60 tons.

Mr. WORTHINGTON. Sixty tons is perhaps the heaviest mail car in the country. The average mail car in service at the present time is very much less than that. Our mail cars weigh only about 50 tons, and the apartment cars weigh less per car foot than the railway post-office cars.

Dr. LORENZ. I think the precise differences I made were only tentative, and I would, of course, be glad to modify them if it were shown that the average weight of the postal car was going to be 50 rather than 60 tons. But since I made those suggestions I have been rather impressed with the statement and discussion to the effect that, after all, variations of the load in a car, whether 50 or 60 tons, were not sufficient to be taken account of when you consider the great simplicity of a system which rejects the weight element altogether. Theoretically, I think it would be right to divide the increased gain of loading between the railroad company and the department.

Mr. WORTHINGTON. As a matter of justice?

Dr. LORENZ. Well, as a matter of justice, but the injustice is slight compared to the great convenience.

Mr. WORTHINGTON. The heavier weights per car, although the difference may be only two or three tons, will be found on the heavier traffic mail routes which furnish the expedited service and move that service much faster and with generally heavier equipment. That should be compensated for. If the allowance, on account of difference in weight were liberal, the railroads would be paid for the excess cost, and it would be much fairer than payment on a space basis.

Dr. LORENZ. I should think the object you have in mind could be accomplished, perhaps, directly better than by this indirect method of paying for combined weight and space, the direct method being to pay for expedited service. The Postmaster General may be given authority, in this bill, to provide for special fast mail trains by special agreement, and pay therefor somewhat higher rates if that is deemed advisable. It seems to me the discussion has shown, outside of the contentions of Mr. Worthington for his particular road, that for the country as a whole the weight in the car was, perhaps, not so important as to regard its consideration. I realized that, of course, in studying the questions last summer, but there was this additional consideration in recommending that the weight be taken into account, that heretofore one of the strong objections to the space basis had been the fact, that there would be no limit upon the department as to the amount of space authorized, you would have no statistical check as to what was being done, and if, therefore, we could have a way by which we could keep track year by year or month by month, as these statistics were compiled, as to the relation between the space authorized and the weight carried, there would be a sort of check upon the authorization of space. That consideration, however, seems not to have impressed the other persons in this discussion. The railroads think the department will be too economical in the use of space, and for these reasons I think the great simplicity which would come from having simply a space basis, going even further than the department and eliminating the weight from the terminals as well as from the line, would possibly be justified.

Mr. WORTHINGTON. That might be so as applied to R. P. O. cars only, but not as to storage cars under the present conditions, including the recent enlargement of the activity in the department in taking over the parcel post, which may, eventually, result in a very large bulk tonnage. It is decidedly unfair to expect railroads to handle any class of tonnage in bulk without paying them something for the additional load in the car. That principle is not followed in any other class of railroad transportation.

Dr. LORENZ. Suppose we make it a rate that is fair for the average storage car with a good load. In the freight business an article is classified, the commodities are in some carload class; or take a special commodity rate, the classification committee taking account, of course, of the loading and the load that that commodity supplies to the car, but they do not change that classification for every particular shipment if the weight in a car changes, but they have the same general classification, paying, of course, a different rate per ton. So here, if you had a fair rate for a 7½-ton storage car, would the rate

be very unfair if you had on your system an average of 8 or 9 tons? It is not a question of whether a rate for a 1-ton car is fair for a 7 or 8 ton car, but it is a question of whether the average rate for a storage car is fair for all storage cars and whether the average rate for all R. P. O. cars is not fair for all R. P. O. cars. You may reasonably argue the storage-car rate ought not to pay 18 cents but 25 or 30 cents on account of the contents; but even at 30 cents 10 tons would be only 3 cents per ton-mile, and it does not seem to me the mere fact that you have more storage cars than the other companies necessarily invalidates or, rather, is a reason for ignoring the weight of the car.

Mr. SAFFORD. I would like to ask Dr. Lorenz if it does not make a great deal of difference whether you figure on a maximum rate or a minimum rate in this connection? There is nothing on earth, when you fix a maximum rate, that you can do under actual operation except pull down that maximum rate.

Dr. LORENZ. I do not understand what you mean by maximum or minimum rates.

Mr. SAFFORD. I mean just this: That the proposition as presented here seems to be entirely contrary to the experience and processes of rate making. For instance, you fix a maximum rate, whatever it may be, 20 or 25 or 30 cents for a 60-feet car at less proportionate rates for other classes of cars and that is the utmost you can receive. It does not make any difference how efficient your car service may be, how much you could transport, how much revenue the shipper may get out of a load, you carry you can not possibly get any more. But in your lighter and less important services your rate goes constantly down, and you wind up with an average very much below what would be carried in the minds of these gentlemen as to what the average would be, because you are not going to improve, you are not going to maintain that average at 20 or 30 cents, or whatever it may be, and you can not possibly do it on the rates proposed.

Mr. BRADLEY. Is it not a fact that if you make a car-mile rate high enough the company can afford to ignore the modification caused by increase of loading?

Dr. LORENZ. That is the idea.

Mr. BRADLEY. Then, in order to make sure that it would be high enough, would you not have to fix a maximum rate? I imagine that is what Mr. Safford had in mind.

Dr. LORENZ. You would have to fix a rate based on the average conditions, and then you would carry some carloads at too low a rate and some at too high a rate, but in the end you would come out even. The idea would be to fix the average conditions on that road, and if the Post Office Department was willing to have a bill complicated enough to have a rate separate for each road, I do not see that anyone can object to it, but I understand you have a present law which defines what the proposed law does, namely, have one schedule of rates for the whole country.

Mr. BRADLEY. Which, of course, is modified by the increasing volume of weight, concentration of weight leading to the establishment of fast mail trains, and to a class of service of the highest quality which the department obtains at a constantly decreasing rate per ton-mile.

Dr. LORENZ. The present law would also work in a much similar fashion, for if we assume on a light road the load is 1 ton, and they would get 25 cents a car mile, on the dense road, where your average is 3 tons for the R. P. O. car, they would pay one-third of that, or 8 cents a car mile, so you would have the same declension with an increasing weight, perhaps, more rate declension under the space basis than you do with the weight basis.

Mr. BRADLEY. I would like to ask Dr. Lorenz whether in his study of this matter his opinion was affected by the suggestion that storage cars earn as much as 60 cents a car mile at the present time?

Dr. LORENZ. No, sir. I was not affected by that. I had in mind, more than anything else, the gross weight of the two classes of cars.

Mr. BRADLEY. I was wondering whether you had examined the subject sufficiently to determine to what extent any such rate as 60 cents a car mile applied to the whole service, if at all?

Dr. LORENZ. There is no separate payment for storage cars, so you can not say that there is a separate rate of 60 cents. That is obtained simply by taking the average payment per ton-mile and multiplying it by the assumed load.

Mr. BRADLEY. According to the testimony of to-day, it would seem that the statement of the Second Assistant Postmaster General alleging an earning of 60 cents a car mile for storage cars was a mistake and that counting in the empty return movement it was really an earning of 30 cents, and even that rate associates itself with the one mail route in the country where the greatest concentration of weight occurs on a single train. Inasmuch as the storage-car space in the whole country, quoting the Department's figures, is only 10 per cent of the whole mail space, and this particular storage-car earning of 30 cents is a maximum car-mile earning on a very small fraction of that 10 per cent, does it not look as though it might seriously mislead us, if we pay any attention whatever to the idea that there is so high a storage-car earning as 60 cents?

Dr. LORENZ. However, the storage-car service may become more important in the future.

Mr. BRADLEY. The average loadings as ascertained by the Department in 1907 were, as I recall them, $7\frac{1}{2}$ tons for a storage car for the loaded movement. That would be $3\frac{3}{4}$ tons for the double movement, including the empty movement. At the normal rate of 6 cents a ton-mile on heavy routes would you consider that to be an extravagant car-mile rate?

Dr. LORENZ. I might suggest at this point that it might be a good thing in the proposed bill to make a higher rate for the storage cars and not pay for the empty return movement. As a practical proposition it looks strange to a good many people that the Department should pay for empty space at all. We know that it is the logical thing when you are comparing the different services to consider the empty space, but to pay directly for empty space strikes a good many people as being something that needs explanation. It is not the custom, of course, in freight business to pay for empty space. You pay high enough in the loaded space to cover the empty space, and it might be a wise thing to make a rate for the storage car 36 cents and pay nothing for the return movement on the assumption that it is 100 per cent empty movement, or if you do not think it is 100

per cent make it 30 cents. That would make it look more attractive to the railroad companies on the one hand and shock much less those people who do not believe in paying for empty space.

The CHAIRMAN. Would it shock less if you paid 30 cents on the storage car?

Dr. LORENZ. You could explain to them what is the load of that car. I simply suggest it with regard to a question of practical politics.

Mr. BRADLEY. Does not the same consideration apply to the proposed terminal charge? In the case of short-line mail-apartment cars is it no possible, if you pay the railroad company 13 cents a car-mile for part of the car that that would be made up in the proportions of, say, 10 cents for the terminal allowance and only 3 cents for the line allowance. Would not that be subject to the criticism that you were paying heavily for the thing that was merely incidental rather than the main service that ought to be recognized in the rate of payment—that is, the service rendered in moving the load of mail and supplying the apartment car. The major portion of the rate paid is made up of the terminal allowance, and, in the minds of the ignorant, would be criticized?

Dr. LORENZ. The only way to avoid that criticism would be to state the rates in a different way, have a zone system, and have a rate of 30 cents for the nearer zone, 25 for the next, and so on, but that has other objections, which lead me to suggest this more simple method of statement.

Mr. STEWART. You considered that once?

Dr. LORENZ. Yes; but I found that had this objection: That for certain distances the total rate would be less than for nearer distances.

Mr. BRADLEY. You say it led you to select this "more simple method of statement." Might I suggest you call it "a less complicated method," because it seems to me inevitable that all methods are more or less complicated when you attempt to form rates on space and terminal charges.

The CHAIRMAN. Have they got to be considered under any plan?

Mr. BRADLEY. I should say yes, they should all be considered in the formulation of a rate, but my personal opinion is that it would be very unwise to state them in the rate.

Dr. LORENZ. How would you take account of the fact that the shorter haul ought to receive larger payment per mile?

Mr. BRADLEY. I would prefer, of course, the schedule in the present law for fixing the retail payment.

Dr. LORENZ. The present law does not make a higher rate for the shorter haul?

The CHAIRMAN. The retail and wholesale principle is only applicable to the weight itself and not to the haul.

Mr. BRADLEY. I have not been able to follow Mr. Lorenz in that, because it seems to me the long hauls and the short hauls are reconciled and accounted for in the average weight carried per day under the operations of the present law.

Dr. LORENZ. For a given weight per day the present law pays absolutely the same whether the haul is 10 miles or 1,000 miles.

Mr. BRADLEY. A haul of what?

Dr. LORENZ. The run of a car.

Mr. BRADLEY. What car?

Dr. LORENZ. The R. P. O. car. The pay is the same per mile to the New England roads as it is to the Pennsylvania Railroad.

Mr. BRADLEY. You mean according to load?

Dr. LORENZ. If the load is the same, the road is paid, according to the law, exactly the same per car mile.

Mr. BRADLEY. Per car mile?

Dr. LORENZ. Either one. If the load is the same it does not make any difference whether you take it at a ton-mile or car mile. It is exactly the same per car mile or per ton-mile, whether the haul is long or short.

Mr. BRADLEY. I do not see what you refer to when you say the haul is long or short.

Dr. LORENZ. I refer to the run of the car.

Mr. BRADLEY. It seems to me when you compare the average haul, which the Department states is 620 miles, with the average pay for that distance, you have automatically accounted for your long hauls and your short hauls.

Dr. LORENZ. I do not think that the average haul of the mail itself is the significant thing here, because that is a question for the Department and not for the railroads. The average haul of 620 miles may be over two or three railroad routes; it may be transferred from one car to another, so that the significant thing is the run of the car, the operating unit is the run of the car to the railroad company.

Mr. BRADLEY. Let me suggest this: That the lowest rate of pay under the present law is $42.75, equal to $1.17 a ton-mile, for 200 pounds. That is the highest rate per ton-mile if 200 pounds are carried. The lowest rate of pay is above 48,000 pounds average daily weight carried and amounts to about 5¼ cents a ton-mile. There is a difference between the retail rate and the wholesale rate of 20 to 1.

The CHAIRMAN. But on weight, distance cutting no figure.

Mr. BRADLEY. On weight. Now I am going to apply it. Ordinarily that retail measure of pay is most predominant on the short routes, while on the long routes the wholesale rate approaching the minimum of 5¼ cents a ton-mile is in operation, so that it seems to me automatically the law of 1873 follows the haul of the mail by the declension in the rate according to the greater weight that is carried and the greater weight being carried on the heavy lines. Whether that fully accounts for the exact haul of the unit of mail might still be a matter for some debate, but it seems to me that the intrinsic idea of the whole law does account for the difference in the relative haul.

The CHAIRMAN. You mean conditions take recognition in the application of the wholesale and retail principle? The law takes recognition in the rate of compensation?

Mr. BRADLEY. Yes.

The CHAIRMAN. What do you say to that, Dr. Lorenz?

Dr. LORENZ. I think that operates to some extent, undoubtedly.

The CHAIRMAN. Is it general in its operation? That applies to the Pennsylvania, but would it apply equally to the Southern Pacific?

Dr. LORENZ. I doubt very much whether it applies with any approach to accuracy; for we have routes, let us say, of 200 miles or 150 miles, some of which are very thin routes, and some of which are very heavy routes.

Mr. BRADLEY. It has also been suggested that on the long haul the load thins out as you approach the terminal points, and that fact reduces the average weight carried over the whole line. Thus, again, we see that the operation of the law takes note of the varying length of hauls.

While I am at the table, Mr. Chairman, I would like to make a remark that I did not have suitable opportunity to make this morning when Mr. Rowan presented the case regarding the object lesson his company was able to give to the Post Office Department as to the operating necessity for running an R. P. O. car through from Utica to Massena Springs instead of transferring at Watertown, where the authorization ceased. It seems to me that the suggestion from the department that such cases would be eliminated under the operation of the proposed law failed to take into consideration this fact, that the railroad is seldom able to match the conditions which represent the wishes of the department, and thus test the sufficiency of the authorization which the department in its discretion proclaims. It suggests further as bearing upon this whole question that any proper settlement of the relations of the railroads, on the one hand, and the Post Office Department on the other, each should be protected against the other. If the department is at liberty through the discretion sought in the new law to authorize so much space, so much more or so much less space, according to its judgment, it may be able to impose its wishes on the railroad because of the inability of the railroad to accommodate itself to those successive changes because of the expense entailed upon the company either in making up the train or in rebuilding the car.

Mr. LLOYD. But you would remedy that if we went to the space basis.

Mr. BRADLEY. I do not see any way of remedying that. It would seem to me that the natural remedy would be for the railroad company to make its own rates. Then it could, on its side, take note of all these conditions and modify the rate accordingly. Even then it would be controlled by the competition which is sought as between different lines. But if any new law on the subject fixes a specific rate, and then the department operates under that rate with full discretion as to authorizations and changes, the company would be helpless.

The CHAIRMAN. Then your idea, as I understand it, is that the ideal plan would be for the railroads to initiate the rates, for the department to accept those rates, and then adjudicate the fairness of the rates in the courts if the department claimed the rates were exorbitant.

Mr. BRADLEY. That would be the logical sequence of that line of thought. On the other hand, it seems to me if the space basis were put into law that Congress would almost of necessity be obliged to give a large amount of discretion to the Postmaster General, and when you once give him that discretion the railroad is helpless to adjust itself. Complications, irritations, and injustices come in.

The discretion, if not abused under this administration, may be abused under some future administration.

The CHAIRMAN. Then, you would still have the right of appeal to the courts for adjudication of an injury that had been done you?

Mr. BRADLEY. That process does not seem to appeal to anybody. I noticed when the department discussed the various plans, those of Senator Weeks and Mr. Buckland and others, where the suggestion was made to have recourse to the Interstate Commerce Commission, they said that such plans would throw all disputes into the arena of discussion, with demoralization of administration and continual controversy.

The CHAIRMAN. I would like to ask you whether you are acquainted with the policy of the Pennsylvania system in the ordering of cars going on passenger trains; that is, as to the length? Is it the general policy, without exception, that all cars are 60 feet in length or more for passenger travel, whether express, baggage, mail, or regular passenger?

Mr. BRADLEY. Of course, I have not the familiarity with the question that would enable me to make the final answer on that subject, but to the best of my knowledge and belief all equipment that is being constructed for passenger trains is 60 feet or more in length.

The CHAIRMAN. Do you know the reason for that?

Mr. BRADLEY. I suppose it must be a process of standardization to secure economy in construction and in operation. I recall an instance where a suggestion was made by a representative of the department for a slight change in the pattern of a window sash of a postal car. It looked like a request that ought to be complied with, but the motive-power department explained that if a mechanic went out to repair a broken window sash he would have to take all of the different kinds with him. It was thought very important to have one standard. Therefore if it is important to have a uniform standard in regard to a small component part of a car, it would be so much more important to have the standard run throughout.

The CHAIRMAN. Mr. Peabody, I would like to ask you, so far as the Atchison system is concerned, what the policy of that company is in the ordering of cars?

Mr. PEABODY. The effort of the Santa Fe road and all other roads, for that matter, is toward economy in service, and our experience has taught us that the larger we can make the unit of service—that is, the proportion of dead weight to total weight carried—the better will be the result, and that applies equally to passenger or freight cars. Consequently we seek to make that service as advantageous as possible. There are many things, of course, that have to be considered. Our cars are limited, so far as the length of the car is concerned, in passenger service particularly, to the curves of the road. We can not increase that length indefinitely on account of the added resistance on the curves. Also, we find that the tunnels and the platforms of the road are so adjusted that if the cars are made an extreme length it would require an alteration of the tunnels and platforms on a great many of our lines. We have found, therefore, in practical operation, that on the main line we can use a 70-foot car to advantage, the curves having been eliminated. On our branch lines, however, where the curves have not been so reduced, we find that a

60-foot car is about the limit, and our standards are a 60-foot car usually. But on our main line we have 70-foot cars used as standards and as our maximum.

The CHAIRMAN. But you use no car in your passenger service shorter than 60 feet on your main line?

Mr. PEABODY. No. We had some 50-foot cars which we used on some of our branch lines where the curves were excessive, but generally speaking, those curves have been so reduced that we have nothing now less than 60-foot cars.

The CHAIRMAN. Do you feel you should receive greater relative compensation for two 30-foot apartment cars than you would receive for one full 60-foot car?

Mr. PEABODY. Certainly.

The CHAIRMAN. On what ground?

Mr. PEABODY. We would have to haul double the amount of weight; that is, the dead weight of two cars, proportioned to 30 feet of space on each car, would be very much more than one 60-foot car.

Dr. LORENZ. That is assuming that the other half goes empty?

Mr. PEABODY. In a great many cases it does.

Dr. LORENZ. But you are assuming that it does so in all cases?

Mr. BRADLEY. Does not the other half have to go empty, according to the discretion of the department?

Mr. PEABODY. We do not assume the basis will be twice as much, but we do assume that we should have a higher rate per car-mile proportionately for the 30-foot car than for the 60-foot car. By that I mean if the pay were based on a 60-foot car, it should pay a proportionately higher rate for 30 feet.

Dr. LORENZ. Now, in order to tell how much more you would have to know the percentage of the cases that they are half empty.

Mr. PEABODY. It would be absolutely impossible to set a mathematical rule for that.

The CHAIRMAN. As I understand the department and you gentlemen representing the railroads, you are diametrically opposed in your views on that phase of the subject. The department suggests a lower rate per car-foot on the apartment car than on the full R. P. O. car and the full-sized car. You suggest that you should receive a higher rate.

Mr. PEABODY. I say a higher proportional rate. I understand the department recommends a lower proportional rate for an apartment car. I understand they recommend that if the full car rate was 30 cents, the 30-foot car should be less than 15 cents.

The CHAIRMAN. As I understand the department on the full R. P. O., they recommend that the maximum should be 20 cents a car-mile, and the apartment car at 30 feet would be at the rate of 19 cents for a 60-foot car. So that there you are both diametrically opposed in your views of the application of the wholesale and retail principle on the rate.

Mr. PEABODY. That, as I understand, is not because of the proportional space, but because of the kind of car used, the proposition being that the apartment cars of wooden construction are not as valuable for the service as the others and consequently pay less, not because it is an apartment car, but because they are of wooden construction, and the rate should be less for that reason.

Mr. BRADLEY. Yes; because it is an apartment car. The department proposes a rate of 20 cents for a full car and 18 cents for 60 feet of space.

Mr. STEWART. If it is constructed of wood?

Mr. BRADLEY. There is a distinction.

Mr. PEABODY. I can see no just cause for reducing a proportional rate for the apartment car.

The CHAIRMAN. General Stewart, would you repeat your reasons, in order that we may get a running discussion on that phase of the question.

Mr. STEWART. I have stated many times the reason why, in my opinion, the apartment car should not be paid the same rate as the full car, the main reason being that the full car necessitates the placing in the train of an independent car for the use of the department, which adds a new element to the train. That is generally recognized by the railroad companies. The requirement for an apartment in a car calls for part only of a car which the company runs for its own purpose to a large extent, and would probably have to run if we did not take the apartment in it. So that there is that very material difference in the service, and which existed at the time the law of 1873 made the distinction and allowed specific pay for the specific additional cars that had to be put in the train, if they were 40 feet or over in length. That is the first and fundamental difference as I see it. One other difference is that I understand the construction of the full cars, as we have them to-day, is a very different proposition from the construction of apartment cars; that is to say, they are very much more expensive in their original construction, and they are certainly more expensive in the manner in which they are fitted up and taken care of. Under the existing law we are not permitted to pay anything for the cars unless they are thoroughly cleaned and unless they meet certain other requirements and are kept sanitary. There are no such provisions in the present law with regard to apartment cars; however, we have followed the general spirit of the law and are requiring the companies to comply with it respecting the sanitary condition of apartment cars.

The CHAIRMAN. For sanitation you would have proportionately the same requirement, whether it was for a 30-foot car or a 60-foot car.

Mr. STEWART. Yes, sir.

The CHAIRMAN. So that there would be no difference in the rates, relatively?

Mr. STEWART. No. I am giving you the conditions as they exist in the service now. There has been an evolution in car building toward the steel car, and Congress has provided certain limitations on the use of cars, requiring all companies to convert practically all of their cars into steel cars. There is no such provision in regard to apartment cars, although some companies are constructing steel cars in which there are apartments. In the proposed bill we made a distinction between the wooden apartment car and the steel apartment car which we think is fair and which would encourage the construction of steel cars.

The CHAIRMAN. How do you arrive at your 5 per cent reduction because of the difference in apartment and full cars, and then your

additional 5 per cent reduction between the steel and the wooden car?

Mr. STEWART. That, as we have explained heretofore, is an estimate based upon judgment.

The CHAIRMAN. It is an arbitrary, as a matter of fact?

Mr. STEWART. Yes. There is no possible way of getting at it definitely under the present conditions in any other way.

Mr. PEABODY. Might I ask a question now? Do I understand you to say that the railroads generally admit that proposition, that these cars will be run anyway if they were not used for mail?

Mr. STEWART. No. I could not say what the railroads would say on that question. I meant to say, so far as my understanding was concerned, that generally the cars in which we have apartments would be run anyway.

Mr. PEABODY. I understood you to say that the railroads admitted that?

Mr. STEWART. I do not think I said that.

Mr. PETERS. If Gen. Stewart was right in regard to his idea that pay for apartment cars should be less than the pay for full cars because the car is one that is provided for other service on the train, and you take every part of it to handle the mails in, that might have been the theory when you were contemplating the new rate basis, to pay for the apartments and were also paying for the handling of the mails on the weight basis. When you change and go to paying for the mails on the space basis, is there any reason why the space in the apartment car should be at a lower rate than the space in the full R. P. O. car? I can not see it at all.

Dr. LORENZ. I would like to ask Mr. Stewart one question upon this particular point—whether he has considered the fact that apartment car lines are usually on lines of thinner traffic than the R. P. O. cars, and on that account might be paid a higher rate, or at least the same rate proportionate as the old R. P. O. cars? I think in his bill he suggested, in connection with the closed-pouch service, to pay a higher rate for the closed-pouch mail on lines that had only apartment cars, and that those were lines that had only thin traffic.

Mr. STEWART. The reason why, in my mind, that it would not apply is this: When you make the transition from weight to space the distinction which you have in your mind disappears.

Dr. LORENZ. I did not mean traffic in the sense of mail, but in the sense of train-mile—per mile of traffic. I mean the railroads' whole business would be relatively thin.

Mr. STEWART. I see your point. I did take into consideration those facts in proposing that there be a different rate for closed-pouch service on apartment car lines. We had in view the present conditions and rates of pay; that is to say, unless we made that distinction we would be paying a higher rate for the closed-pouch service on full lines under the proposed law than under the existing law, which we thought would be inconsistent. I did not see any justification for doing it.

The CHAIRMAN. I would like to ask Dr. Lorenz how that phase of the subject comes to his mind; whether the department, in its suggestion as to relative compensation for apartment cars and full cars, provided the construction is the same, is sound?

Dr. LORENZ. I have not been able to agree with the department—with its view—on that point, because it seems to me, so far as the matter of running the car is concerned, it applies as much one way as the other. Sometimes a car would be run solely for mail service, and sometimes it would be run for the other service. If you could always match them up, it is clear each should pay the actual proportion rate; but it is wholly impossible to tell to what extent the empty movement in apartment cars is due to one service or the other. For that reason I do not see any distinction to be made in the rates. If any distinction is to be made, it should be a higher rate for the apartment car, on the ground that, so far as I know, the apartment car is likely to be on the line which has thinner traffic; by which I mean fewer trains per day over a mile of track.

Mr. BRADLEY. Does that mean the line of thinner traffic needs the money more?

Dr. LORENZ. Yes.

Mr. BRADLEY. Not that it earns more, but that it needs it more.

Dr. LORENZ. I think the cost of maintaining the roadway is less per train-mile on a road that has 10 trains per day than on roads with two trains per day.

Mr. BRADLEY. That is getting down to cost basis.

Dr. LORENZ. I think for that reason the pay for apartment cars would be higher.

Mr. BRADLEY. Would you apply the wholesale and retail principle as between full cars and apartment cars?

Dr. LORENZ. As I say, the unused space, which may come from cutting up the car, seems to me may be logically attributed to the baggage as well as to the express or mail.

Mr. BRADLEY. Except the railroad company would control the allotment for baggage and express, but in regard to the mail space would not under the proposed compulsory law.

Dr. LORENZ. It would not make any difference whether it controlled it or not. The fact would be there would be occasions when the department's view would be correct; that is, you would not have to run the extra car on account of the mails.

Mr. BRADLEY. Would there not be a great difference in results because of the ability to control the car movement and to economize in loading and operation, whereas compulsory service must be performed under heavy penalties, whether or not it is remunerative or economical?

Dr. LORENZ. That is clearly a waste in cutting up cars, but, as I say, I do not know that you could charge it entirely to the mail service.

Mr. LLOYD. Would it not be a reasonable proposition to say that when a railroad company needed less space that the demand of the department would be for less space also? In other words, if the Government needs less space in a given instance, would it not be natural that the railroad company would need less space in that given instance and it would not have the opportunity to use the space which might be vacated by the Government in the given instance?

Dr. LORENZ. I think that is very probable; yes, sir.

The CHAIRMAN. I think that is a very strong point. To my mind, as I look at it at present, one of the elements of weakness in the de-

partment's position as to the reduction of rate in the apartment over the full car is the assumption that there is always an overflow of business that the railroads can take up which does not exist.

Mr. LLOYD. It seems to me that the assumption would naturally be the other way.

The CHAIRMAN. It would in its operation—in effect. But the department assumes there is always business available that the railroads can put right into the unused space and it earns something.

Mr. STEWART. To prove that is correct we refer to the present conditions in the apartment-car service, where the railroads are, on their own account, voluntarily furnishing us a great deal more space than we need. What is that space? It is space that is surplus in their trains which they have liberty to use at any time. It is overflow space which is available to them if we do not need it.

The CHAIRMAN. It is not available to them, for they can not use it, or they would not furnish it to you when you ask for it.

Mr. STEWART. If they needed it they would not surrender it to us.

The CHAIRMAN. The case you have just cited, instead of proving your view, disproves it, namely, that they would have additional unearned space that they would get no return on at all.

Mr. LLOYD. At the present time it does not make much difference, but if you are going to change to a space basis it is a serious element, and it seems to me when you do not need the space, or the Government does not need the space, it would naturally follow that the railroad company would not need it either. When you have increased business and need the space it would naturally follow the railroad company would have increased business and need the space. The very fact that at times they give you more space than you need proves positively the fact they have more space than they need.

Mr. BRADLEY. I think, also you do not get an exact idea of what we are discussing, if we simply use the general term "space." Here would be the thought: If a railroad company, looking to the future, and especially in connection with parcel post, voluntarily provides 30 feet of space where the department at present needs only 25 feet, that 5 feet additional may necessarily carry with it the rest of the car. It is not to be contended that because the company can spare that 5 feet that they can also spare the other 30 feet that goes to make up the rest of the car. Very often an additional car would have to be run.

Mr. ROWAN. In this connection I want to bring out the point, which I think it is well to have, as a result of the full-crews bills which have gone into effect in many States. We have cut out the handling of baggage on a great many trains, especially in suburban territory, so that where the department asks for an apartment-car facility, it means the railroad can not use the baggage end of that car without putting a baggageman on that train. Your committee, when they were in New York this summer, saw an instance where we were hauling an apartment car of 12 or 14 feet from New York to Croton and from Croton to New York with the baggage end absolutely empty; we had no use for it, and we did not use it for baggage, because according to the laws of the State of New York we would have had to employ a baggageman to ride on that train, and that is one of the trains we have marked on our timetable which does not

carry baggage. Dr. Lorenz and Mr. McBride saw that particular case, and we have many like it.

Mr. McBRIDE. That was a fact on that one particular train.

Mr. ROWAN. And on a good many others.

Mr. SAFFORD. I would like to say also that in the South, where we have to separate the races, we generally build what we call a baggage and a seat car; one end of the car is used for baggage and the other end is devoted to carrying of colored people. Those cars are entirely sufficient for most of our local trains upon which apartment-car service is performed, and it is very generally the case, where we are asked to put in apartment-car service, it means another car on the train. It is not unusual at all that the railroads have to put in another car to supply the apartment-car space. Then there is another matter which, we will say, probably would be considered as optional with the railroads, but still it is a condition we have to practice in pursuit of economy. This question of furnishing more space in apartment cars than the department actually requires is due very largely to the fact that the railroad company, without great extravagance, can not keep all of the types of cars that the department may ask for. I have on my system requirements running all the way from 6 feet up to 30 feet. We do not have any 6-foot cars, we haven't any 10-foot cars, but in order to exercise the best economy we can, we build a larger proportion of cars with larger mail apartments in them, so that they will be interchangeable throughout the system. The department never finds fault except when we furnish them too little space. They never have made any objection when we gave them more than they called for.

The CHAIRMAN. Why should they?

Mr. SAFFORD. I do not know why they should, but no specific mention was ever made of that fact until we began to go into the elements that finally developed Document No. 105.

The CHAIRMAN. Then, Gen. Stewart, as I understand you, it gets down to the one factor of the greater cost of a 60-foot steel-constructed R. P. O. car than of an apartment steel car, and a reduction of 5 per cent suggested by the department in the rates. The cost is relatively the same and the cost of heating relatively the same?

Mr. STEWART. It ought to be.

The CHAIRMAN. Then it is simply the difference in the cost of the car?

Mr. STEWART. That is the undisputed difference. I could not say that that was the only difference, because I do not think the question has been settled here that it is the only one.

The CHAIRMAN. I mean the department's objection in making up its mind for a 5 per cent reduction between the two?

Mr. STEWART. No, sir. I still insist that the railroad companies in many cases have to put this car in their train, and in every case that we call for a whole car they have to put a separate and distinct car in the train. That is certainly a difference that ought to be considered. Mr. Lorenz suggests that on the space basis he does not see how that could enter into the consideration. I can not quite follow him there at present. It does seem to me that it makes a difference in the cost and leaves it to the company whether they have to

put an independent car in or whether they give the department 30 feet in one which it runs anyway, for its own convenience.

Dr. LORENZ. I agree with you that if it is true they are running the car anyway, that their giving you that part of the car does not cause a proportionate increase in expense for furnishing the new car, but the question is to what extent is that typical and to what extent the other case presented by the railroad is typical where they have to put in another car where you ask for an apartment car? The only question is which is relatively the more frequent.

Mr. BRADLEY. Is there not one thing that always happens, that if the department orders an additional R. P. O. car they would be expected to pay the full rate for the whole car? If they order an additional mail apartment car, if it happened to be 15 feet, it would only pay 4½ cents; yet the company might have to put on a full car, which according to the department's own schedule is given a rate of 20 cents.

Dr. LORENZ. That is one case that might happen, and the other is Gen. Stewart's, where you would run the car anyway; without the statistics as to the frequency of relative cost, I do not see why it should be more or less on that ground.

Mr. SCOTT. Assume that 30-foot apartment cars cost the same as 60-foot full R. P. O. cars and the Post Office wants 30-foot mail apartment cars running in both directions between two points. The value of that car is fixed at 20 cents and the Post Office Department will say for that 30 feet we will pay you 9 cents, because some days you have an opportunity to load your end of the car partly full. Why should the railroad company be penalized that 10 per cent whether they load their end of the car or not? They are penalized to start with, by being paid for only half of the car.

The CHAIRMAN. And the risk they run to fill the other half.

Mr. SCOTT. Yes; it seems to me it is a one-sided proposition.

Mr. MACK. We have many cases of that kind. For instance, I pointed out on our line from Kansas City to Pueblo, as I showed in our statement, we are obliged to furnish a full car. We would get 9 cents if it is a wood car and 9½ cents if it is a steel car, but no question exists about the fact, but some provision ought to be made even under the existing plan. We have suggested apartment-car pay as a present remedy for it, but this class of cars is quite general in the West and they are not a negligble quantity and undoubtedly ought to have some consideration, not merely with respect to the difference in rate between the apartment car and the full R. P. O. car, but as a different class of cars.

Dr. LORENZ. Have you any case in which, if the department should take off the mail service entirely from part of the car line, you would still have to run the same number of cars for the baggage and express?

Mr. MACK. If the department took off the space?

Dr. LORENZ. Yes. If the department said they did not need the apartment on this train at all, would you not still have to run that car in many cases for baggage and express?

Mr. MACK. No. That is the point we make, that 30 feet of space in the other end is not of any value.

Dr. LORENZ. Then there is no case in which an apartment——

Mr. MACK. Do not misunderstand me. It is not in all cases where we have a 30-foot apartment car that we have to haul other cars.

but there are cases where it does occur, and that is a condition that ought to be considered.

Mr. BASKERVILLE. There are other cases. Take, for instance, the two or three car trains on the branch lines; we could use the combined passenger and express car and eliminate the postal car.

Mr. WADE. Is it a fact that in the development of the passenger service that the first thing provided for is passenger and baggage service, and that the mail is incidental? Naturally, in that case the railroad company would provide the space in the part of the car to take care of the passenger business, perhaps the smoker. As the mail developed, additional space is required, and in a great many cases an additional car would be required on that train. We presented a statement that showed that 19 out of 42 apartment cars in use on the Erie Railroad were not used for any other purpose except for mail at the present time.

Mr. ROWAN. Nineteen out of forty-two?

Mr. WADE. Nineteen out of forty-two, if I remember correctly.

Mr. CONNOLLY. On the Central Railroad of New Jersey they run three 30-foot cars every day 120 miles, four 30-foot cars 60 miles, and one 30-foot car 90 miles. Of those seven 60-foot cars, with 30 mail apartment cars, the storage space is of no use to the railroad company.

The CHAIRMAN. It is not utilized at all on any one of those seven trains?

Mr. CONNOLLY. No, sir. To get away from that we are building 70-foot cars, 30 feet of mail and 40 feet to be devoted to the express and baggage, so that we can cut one car out of the train. There is one of the most glaring instances in this part of the country.

Mr. MCBRIDE. Then, 10 feet additional will take care of your baggage and express?

Mr. CONNOLLY. On an average; but not all the time.

Mr. LLOYD. I want to ask Mr. Worthington a question which will get away from this particular point. On your heavy Ogden trains you stated, as I understand you, that you had several storage cars. Is it not true that in the storage cars you have a very great tonnage?

Mr. WORTHINGTON. A large tonnage.

Mr. LLOYD. Do you know how much?

Mr. WORTHINGTON. I do not think I said several storage cars. A few storage cars; but I do not remember the number.

Mr. LLOYD. But you have storage cars on every train.

Mr. WORTHINGTON. On every mail train.

Mr. LLOYD. Have you any idea of the weight carried in that storage car?

Mr. WORTHINGTON. I have not. A special weighing was had in 1907, which I think gives the weights of those cars. Dr. Lorenz showed me some figures to-day on that. He showed me a figure on page 857 of 9.26 tons for a 60-foot storage car.

Mr. LLOYD. That is the average weight carried in a storage car?

Dr. LORENZ. That is the average loaded movement.

Mr. LLOYD. Do you know whether it is true that on your train the average weight of your storage car is not very much heavier than that?

Dr. LORENZ. That is the average in his section; the average for the country was less than that.

Mr. LLOYD. What was the average of the country?

Dr. LORENZ. A little less than seven and one-half.

Mr. LLOYD. Do you know what the average is on your road?

Mr. WORTHINGTON. For the entire country 7.26, according to this statement, and for the district comprising California, Nevada, Oregon, Arizona, Idaho, Utah, and Washington, 9.26 tons.

Mr. LLOYD. Your Ogden road would be away beyond 9.26?

Mr. WORTHINGTON. It may be. I do not know the average for the Ogden route. It probably is, but I do not know.

Mr. LLOYD. The probabilities are that on that Ogden road, where you are getting large compensation for the individual train or individual car, that you are carrying away beyond the average weight, and if some kind of a provision were put into the law that fixed, by weight, what a storage-car load is, like you actually do on hogs, would not that, to a very great extent, increase your pay and overcome your objection.

Mr. WORTHINGTON. I think it would.

Mr. LLOYD. If we come to the space basis, would not that equalize the pay to the railroads, if some such system were adopted?

Mr. WORTHINGTON. If a system were adopted which increased the pay according to the load in the car, it would overcome most of the objections.

Mr. LLOYD. What I was getting at was the fixing of the weight that makes a storage-car load. In explanation, a few days ago we were talking about cattle and hogs, and I raised the question as to whether you shipped them by weight. I asked the question whether or not you shipped them by carloads, but the answer of the railroad companies was that we do ship by the carload, but we fix the weight. Here is a car that carries so many tons and we count up so many tons, but we do not actually weigh it. Now, if you fix the limit of weight which makes a full storage-car load, and you actually carry twice that weight in storage cars, you might make some kind of a system by which you could pay for carrying twice the weight in the storage car. In other words, you have two cars in one.

Mr. PEABODY. May I correct your understanding there? On all shipments of live stock we have a minimum weight for different sizes of cars, but we charge for the actual weight in that car when it is above the minimum. That is always the rule. For instance, we have a minimum of 20,000 pounds in a 30-foot car, 22,000 in a 36-foot car, and so on. We have a minimum weight for each sized car and then we charge for the actual weight in case the cars are loaded above their minimum.

Mr. LLOYD. Here is a carload of hogs that weighs 20,000 pounds; that is the minimum weight and it turns out, however, you have very heavy hogs. For the purpose of illustration, suppose you have very heavy hogs and crowd them in close and get in 40,000 pounds of hogs in that car. Then, as I understand you, the effect of your rate would be to charge twice as much as the minimum weight. Now, if the same principle were applied to the mail on the space basis, if you carried two loads in one you would get pay for two loads and that would overcome the problem that we meet here on these heavy storage cars in the West. As I understand it, there is this difference between the eastern cars and the western cars, and it is a very marked

difference, that when you get west of Chicago and St. Louis, you carry the magazines. East of Chicago and St. Louis the trains do not carry the magazines except few in number.

Mr. McBride. West of Council Bluffs and Kansas City. The freight shipments end at Kansas City and Council Bluffs.

Mr. Lloyd. Beyond that limit, wherever it may be, you carry these heavy magazines, but if you fill up a car with magazines it is going to be much heavier than it will be if it is filled with ordinary mail. That is the heaviest mail you could carry, and I can conceive how you could fill up a car and put nearly twice the weight in it if you had that heavy mail than you would with the ordinary mail that makes up the storage car.

Mr. Peters. The service is being performed by the railroad and under the weight basis the railroad gets paid?

Mr. Lloyd. He was making the statement that by indirection he would not be treated fairly under this proposed pay system. I was trying to reach a solution of the matter to ascertain if there was not some way to fix that space by law so that he would get that, and it struck me that that might be feasible.

Mr. Worthington. In freight service that is the rule as to all carload traffic.

Mr. Lloyd. The chairman very properly asks how you would make the ascertainment of weight. Can you answer that?

Mr. Worthington. I do not see how you could get an ascertainment of weight without weighing the mails. The department could answer that better than I could. You would have to weigh the mails in those cars.

The Chairman. You would have to weigh every car and every movement.

Mr. Worthington. Unless they follow the present plan and take the weight for a certain number of days.

Mr. Lloyd. Take the hogs that you speak of. Do you actually weigh the hogs that go into the car?

Mr. Peabody. Whenever they are taken to market they are always weighed.

Mr. Lloyd. Do you weigh the horses that go into your cars?

Mr. Peabody. Rarely, except by scale weight.

Mr. Lloyd. What do you mean by scale weight?

Mr. Peabody. The track scale weights. We take the market weights where they go to market, with cattle and hogs, but where they do not go to market we take the track scale weights. We always weigh every car.

Mr. Lloyd. Is it not possible to determine the weight question this way: The railroad company comes to the conclusion that there are more than 7½ tons being carried from day to day. That question can be easily settled between the railroad company and the Government by taking the mail actually weighed for a few days to determine it. It need not be any particular time, but whenever a railroad company says they are not getting enough you could weigh it to see. If it should happen to be a heavy period, and the Government would say it would not be a fair test, it would determine just for the time being whether they were getting enough or not, and at some other time the Government could demand a weighing, and they could ascertain what was the average weight.

Mr. WADE. Why not fix the schedule at 7½ tons?

Mr. LLOYD. Because, as I understand it, that was said to be the average weight of the storage-car mail.

Mr. BRADLEY. In 1907 in the special weighing?

Mr. WORTHINGTON. I suppose that has changed since the magazines have been taken out of that east of Council Bluffs.

Mr. MCBRIDE. I think the statistics of 1907 show the average load of storage cars in the eighth division, which would take in your line, was somewhat heavier than 7½ tons.

Mr. WORTHINGTON. The weight varies in different sections from 2½ tons to 9.26 tons, and the average shown is 7.26 tons. That is according to the special weighing of 1907.

Mr. MCBRIDE. That is my impression.

The CHAIRMAN. Would you gentlemen of the railroads be satisfied if you had compensation from the Government for railway mail pay, including the railway post office, equivalent on a car-mile basis to your passenger revenue?

Mr. PEABODY. The passenger car-mile revenue?

The CHAIRMAN. Yes.

Mr. PETERS. I think we would.

Mr. PEABODY. While it is true that the passenger-train-car revenue does not pay for its proportion of the expense of conducting the service, I think it would be only fair that the mail should not pay any larger revenue than accrues to the other service. But that is considerably more than 25 cents per car mile on our road.

The CHAIRMAN. Would you go as far as to say you think the mail should pay exactly the same in revenue to the railroads that the passenger service pays.

Mr. PETERS. I think they should pay fully that much.

The CHAIRMAN. Your reasons are what?

Mr. PETERS. It occupies so much space in the train.

Mr. WORTHINGTON. Would you mean for each individual road or for the railroads as a whole; for example, our passenger-train mile revenue is, I think, about 34 cents a car mile, which is higher than the average for the United States, and it would make a material difference to us whether you mean the average for the whole country.

The CHAIRMAN. What I meant was the average for the country of, say, 25 cents a car mile?

Mr. WORTHINGTON. We get more than that now, according to these figures.

Mr. LLOYD. How about you, Mr. Bradley? Are you getting more than that now?

Mr. BRADLEY. Oh, no.

Mr. LLOYD. What do you get now?

Mr. BRADLEY. We get considerably less than the average passenger car earning.

The CHAIRMAN. As I understand, in the rate suggested in the proposed bill, the determinant factor in your mind in arriving at the suggested rate was the revenue from the average passenger service?

Mr. STEWART. Yes, sir; that was the basis.

The CHAIRMAN. And your reason for making a reduction there of 20 per cent in the average passenger rate as applied to the mail reve-

nue was what? How did you arrive at that 20 per cent? Was that an arbitrary?

Mr. STEWART. In the first place, we accepted the 10 per cent reduction proposed by Dr. Lorenz, somewhat measuring the difference between the passenger service and the mail service.

Dr. LORENZ. I might suggest at that point I do not venture to measure the exact difference in the value of the mail service per car-mile and the other passenger service per car mile, but I said it could not exceed 10 per cent at the outside, I thought.

Mr. WORTHINGTON. Did you not say, Dr. Lorenz, that your thought was that the rate should be somewhere in the neighborhood of 25 cents, but you doubted whether it would be well to go all that distance at once in increasing the rate, and that 22½ cents was going halfway.

Mr. LORENZ. Yes. I think the evidence was too slender to base an award of $15,000,000.

Mr. STEWART. I am glad Dr. Lorenz has finally brought that out and put it into the record. Of course you gentlemen all know that I do not think the evidence is sufficient upon which to reach such conclusion. I furthermore think we have clearly shown that that conclusion is based upon premises which have been disproven.

The CHAIRMAN. That is the $15,000,000?

Mr. STEWART. Yes.

Mr. LLOYD. In that connection, may I ask Dr. Lorenz what would be his award, if anything, on the $15,000,000 proposition?

Dr. LORENZ. How much do I think the evidence warrants?

Mr. LLOYD. Yes.

Dr. LORENZ. Well, my actual suggestion was 22½ cents.

Mr. LLOYD. You made a statement as to $15,000,000. You said you would not make an award of $15,000,000. Now, I said, if you were going to make an award, are you prepared to make an answer which would make any part of the $15,000,000?

Dr. LORENZ. Yes. I suggested possibly 10 per cent of the existing pay—$5,000,000.

Mr. PETERS. I thought you suggested $8,000,000.

Dr. LORENZ. No. I suggested that $8,000,000 was what the claims of the railroads amounted to if their amendments were allowed. But it seems to me, on the commercial basis, that the department has itself furnished the evidence, so far as we can judge, from the returns for the single month, that there was some underpay; that is to say, if we take their statement in Document 105, Table 7, their figures for a division between freight and passenger and make a single correction, that they should be charged with at least half the dead space—and I think it could be argued they should be charged more—that with that correction it would amount to four or five million dollars, according to their own showing.

The CHAIRMAN. That is, that the railroads were underpaid instead of overpaid?

Dr. LORENZ. I think that is indicated. But, as I said, I do not think the evidence sufficient to say positively how much more than that they were underpaid.

Mr. BRADLEY. That was on the department's division of expenses, their ratio of 29.21, and increasing their space ratio to approximately what?

Dr. LORENZ. It would be between their figure and 8 per cent.

Mr. WORTHINGTON. I would like to make one deduction. Document 105, Table 7, shows the figures of space and operating expenses and taxes chargeable to the mail service. Dividing the space figures into the operating expenses and taxes chargeable to the mail, produces an average of 3.08 mills per car-foot mile for operating expenses and taxes, according to the department's calculations. In volume No. 7 the department gave other figures, which would increase the operating expenses and taxes by 32.51 per cent to cover other charges against income, increasing the 3.08 for the operating expenses and taxes by 32.51; this would make a total of 24.81 cents per 60-foot car-mile, which the railroads should receive to cover operating expenses and other charges against income, according to the department's own calculation, whereas the proposed rate is 20.91.

Dr. LORENZ. I made the same calculation, but I think it should be stated that indirectly your result there assumes that they would have to pay that on the live space, for in Table No. 7 their figures are based on the mail space without dead space.

Mr. WORTHINGTON. The mail space figures do not enter into this at all.

Dr. LORENZ. Yes; because they then say that by using 68.8 per cent——

Mr. WORTHINGTON. It is the pasenger train space as a total divided into passenger operating expenses as a total.

Dr. LORENZ. But that space you have divided as a total is the live space?

Mr. WORTHINGTON. It is the total space on the passenger train.

Dr. LORENZ. Excluding the dead space. In Table No. 7 there is no dead space.

Mr. WORTHINGTON. Yes, there is.

Dr. LORENZ. Pardon me, not Table 7. You have simply mail plus deadhead space.

Mr. WORTHINGTON. I am not speaking of mail space. I am speaking of total passenger space as shown in Table No. 7.

Dr. LORENZ. There is none shown in Table No. 7.

Mr. WORTHINGTON. I am not speaking of the division of mail space in revenue, but the operating expenses.

The CHAIRMAN. You were interrupted in answering a question I propounded as to the reasons why you arrived at a 20 per cent deduction from the passenger rate for mail revenue. When the interruption took place you referred to Dr. Lorenz's suggestion of 10 per cent.

Mr. STEWART. In addition to the 10 per cent suggested by Dr. Lorenz we made another deduction of 10 per cent on consideration of, first, the overpayment to the railroads as demonstrated by our presentation to the committee, which we think is as yet unsuccessfully controverted. Further, in consideration of the additional elements which we have suggested, which Dr. Lorenz took no notice of, and which justifies a considerable reduction from a strictly commercial rate. Those considerations have been referred to frequently in the hearings and are set out specifically in our reply.

Mr. LLOYD. What is that; uniformity of service, homogenity, etc.?

Mr. STEWART. Yes.

The CHAIRMAN. Public-utility features?

Mr. STEWART. Yes.

The CHAIRMAN. If you eliminate the public-utility features and treat it purely as a commercial proposition, then what reduction, further than that suggested by Dr. Lorenz, do you think the Government would be justified in making as between mail and passenger?

Mr. STEWART. I think the same reduction we have suggested, because I have given very little consideration to the specific element of public utility in that 10 per cent. We have named a number of elements and public utility is only one of them.

Mr. LLOYD. You mean those several elements combined are 10 per cent?

Mr. STEWART. Yes. We have stated specifically that whether or not the element of public utility is to be considered must be declared by Congress as a public policy, and we have not attempted to put a value on it.

The CHAIRMAN. Then your 10 per cent further reduction is an arbitrary of your's, based upon taking into consideration such factors, but without comparing the value or weight, relatively, or each one of those factors? Is that it?

Mr. STEWART. Necessarily so, because there is no other basis upon which to proceed, excepting the one basis of overpayment to the railroads.

The CHAIRMAN. Let us turn to that for a minute for discussion and analysis. If that were true, and if you were right in your contention that they were overpaid, and these suggested rates would go into operation for a period of years, how long would it remain in operation? Congress might see fit to change the rates. How do you justify that viewpoint of the adjustment of that overpayment, for how many years before these rates would equalize that, in which event, after that indebtedness on the part of the railroads to the Government had been repaid because of the overpaying, would this pay be sufficient?

Mr. STEWART. You mistake me entirely if you think the purpose is to recoup something that has been paid out. It is only to reduce the pay to what it ought to be. The reductions were preliminary to the further building of the rates. Those reductions determined the line rate, and upon that line rate we build an additional element into the rate by adding the terminal charge and the loading charge, which brings the average for the entire service up to about 20.9 cents a car-mile.

The CHAIRMAN. As against 25 cents plus for the passenger revenue?

Mr. STEWART. That reduces the 10 per cent reduction which I made to about 7 per cent. In regard to Dr. Lorenz's answer to your question as to how much of this alleged $15,000,000 underpayment he would venture as a suggestion should be allowed, it is still to be observed that he bases that upon the showing which he says has been made in regard to the Missouri Pacific system, and he says that perhaps one-half of the dead space ought to be allowed. We show that over 9,000,000 car-foot miles was in controversy in the Missouri Pacific case. The answer of Mr. Mack is before you, and he has not successfully shown that any material

part of that should have been put back in the mails. What he has said in his answer is a reiteration of the points of difference between the administrative rule of the department on the one side and the contention of the railroads on the other as to what should have been charged to the mails and as to what should not have been so charged. He has given you nothing but a restatement, in concrete figures, of the same controversy between us. We thought we would have the opportunity before the closing of the day to give you some further light upon the Missouri Pacific system and show you the kind of examples which make up, to a very large extent, at least, the 9,000,000 car-foot miles.

The CHAIRMAN. Have you got it ready?

Mr. STEWART. We have that now.

The CHAIRMAN. I understand you want some little time to look over that statement?

Mr. STEWART. In the morning will do just as well, so far as we are concerned.

The CHAIRMAN. As I understand, you have still further modified your views in reference to the question of rates, because of the discovery or working out of the express cases that you submitted to the committee in your table, so that you are now of the opinion that the maximum rate suggested in your proposed plan should be made still lower?

Mr. STEWART. I am not prepared to make a suggestion.

Mr. LLOYD. I think your suggestion was that it was certainly liberal.

Mr. STEWART. Yes. I said that they were certainly high enough. I am not in position to suggest to your committee that any reduction should be made. I could not bind the Postmaster General in that respect.

The CHAIRMAN. There is no desire to bind the Postmaster General, but we are trying to get for the information of the committee the development of your mind in your study. Having the determinant voice, provided your suggested plan were enacted into law, the rates being maximum, your present impression would be to reduce in all instances, would it not?

Mr. STEWART. To reduce the pay to the company below the rates fixed by law?

The CHAIRMAN. Below the maximum rates.

Mr. STEWART. Oh, no.

The CHAIRMAN. Would you not have the authority under the law to give lower than 20 cents a car mile—19 cents and 18 cents?

Mr. STEWART. Yes; but that is not the question you asked me. You asked me whether it would be my intention to reduce them in practice.

The CHAIRMAN. That is what I mean?

Mr. STEWART. No, sir; I have no such purpose as that in view. Practically that could be done under this provision which permits the Postmaster General to ascertain from the Interstate Commerce Commission certain information upon which he might act. That is independent entirely of the rates that are fixed in the proposed bill.

The CHIARMAN. You think those rates are extremely liberal? That is your present impression? Now, if on further investigation you became convinced that they were excessive, would you not have au-

thority, under the suggested plan, if enacted into law, to pay less than the maximum provided there?

Mr. STEWART. Yes, sir.

The CHAIRMAN. Would it not be your inclination and your duty, under the position you occupy, to do that?

Mr. STEWART. The sufficient answer to that is this, that the same provision exists in the present law and has been there since 1873.

The CHAIRMAN. We used to use tallow dips, but we now use electric light.

Mr. STEWART. The same controversy has continued for many years. There have been a number of Postmasters General who have believed that these rates fixed by the law of 1873 and the amending acts were too high, and they have so expressed it in their annual reports and otherwise, and no Postmaster General has arbitrarily made a reduction in rates.

Mr. PETERS. When you changed the divisor you did?

Mr. STEWART. No. That was correcting a process. The effect of it was to reduce the rates about 10 per cent.

The CHAIRMAN. What I meant was, as a practical proposition, the change in the divisor was a change in rates of about 10 per cent?

Mr. STEWART. It had that effect.

The CHAIRMAN. That was the purpose of it?

Mr. STEWART. I think not. I think the purpose, primarily, was to adopt the correct process for finding the average daily weight.

The CHAIRMAN. I think Gen. Cortelyou, who made the order, expressed the other view, that there ought to be a reduction. That has always been my view, but I may be wrong.

Mr. STEWART. I do not know of any such expression. This is what it did do: It reduced the rates and we have maintained that as a reduction in rates it was justified under the power given the Postmaster General under that statute, aside from its being a correct process.

Mr. ROWAN. Did you not also make a reduction of 5 per cent at the same time?

Mr. STEWART. Congress did, on weights above 5,000 pounds.

Mr. ROWAN. So altogether the reduction is how much?

Mr. STEWART. On the whole body of the mail I do not know. All rates were not reduced by the statute at that time.

Mr. ROWAN. On routes handling over 48,000 pounds, what did the two reductions amount to?

Mr. STEWART. It may probably be stated in the annual reports, but I do not recall the approximate amount.

The CHAIRMAN. Is it absolutely necessary for administrative purposes that the law should give a maximum and not specified rates?

Mr. STEWART. I think so.

The CHAIRMAN. It is necessary?

Mr. STEWART. Yes. That has been my opinion and I do not see any reason for changing it.

The CHAIRMAN. The point is not as to the policy but as to the necessity. The law, if it was fixed, namely, if the law provided 20 cents, 19 cents, and 18 cents and fixed a flat rate, it could not be administered, or would interfere with the administration.

Mr. STEWART. It could be administered, but I think it would interfere with the administration.

Mr. LLOYD. You mentioned one instance where it would stop; that was the case of competing railroads between the same points where the routes were of different length?

The CHAIRMAN. That would work a hardship as between roads, but would it work a detriment to the Government in dollars or in efficiency of service.

Mr. LLOYD. His idea was, when he expressed it, that the Government ought to be permitted to use, in that case, the shortest route between two points as the basis of pay, and under the system if there was no leeway at all, it could not be done, because you would have to charge a flat rate of 18 cents or 20 cents as the case may be for the whole distance. For instance, if he sent mail by the Baltimore & Ohio Railroad there would be one rate, if he sent it by the Pennsylvania there would be another and a different rate, for instance, from Washington to Baltimore if he sent it by the Baltimore & Ohio which would be the shorter route.

Mr. STEWART. It is a consideration which would not impress you gentlemen very deeply, because you would not appreciate how often it comes up. If you have maximum rates, the act of the Postmaster General in making a pay order, if it carries an amount of money which is within the maximum, is a lawful order and it stands, it can not be successfully contested. If you had the rates absolutely fixed, there are so many little differences in the adjustments of service that no order which the Postmaster General could make would be final, because there would always be a chance for controversy between the railroad company and the department as to whether that was the exact rate for that specific service allowable under the statute, whereas now the pay carried by an order which does not exceed the maximum rate is a legal order and there can be no controversy about it.

The CHAIRMAN. Why does not your same objection apply under existing conditions?

Mr. STEWART. The very same principle which I am naming does exist under the present law. Our orders are now valid orders, because they carry a rate which is within the maximum.

The CHAIRMAN. Do you not ever pay the maximum?

Mr. STEWART. We pay the maximum generally.

The CHAIRMAN. Then, why would not the same objection apply in administrative cases paying the maximum as having a maximum fixed rate.

Mr. STEWART. You do not see the point that I have in mind. There is, upon the one hand, the service performed which is measured, for instance, by the length of the route and the weight of mail carried, and the other considerations that enter into the question of how much money the company is entitled to per mile per annum for that service. The Postmaster General makes an order allowing a maximum rate for a given service. That is nominally the maximum rate, but if the company disputes the fact that it is the maximum rate, because there is some small item somewhere along the line for which it makes claim and which it claims the rate does not cover, the reply to that would be that the Postmaster General's order is a valid order, because he has fixed the pay within the maximum rate provided by law.

Mr. LLOYD. It seems to me the suggestion you make there would show you are not doing justice, because there might be some little thing left out. If there is anything left out it ought to be paid.

Mr. STEWART. It ought to be paid, and it would be paid, if the railroads and the department came to an agreement upon it.

Mr. LLOYD. I thought you said that the maximum fixed by the Postmaster General was final, and if it is a finality there would not be any chance for additional pay?

Mr. STEWART. It is final as long as the order stands, but it is always subject to revision.

Mr. BRADLEY. Is it not the maximum amount of the payment you are discussing, and not the maximum rate upon which that amount is based?

Mr. STEWART. No. It is the maximum rate.

Mr. LLOYD. So far as administration is concerned, the railroads make a good many complaints. We provided by law last year that there should be an increase of 5 per cent on account of the parcel post. You say that as an administrative feature you complied strictly with that law, but, so far as I know, there is no railroad in the country that has gotten a 5 per cent increase.

Mr. STEWART. Yes; there are some.

Mr. LLOYD. I knew that Congress intended that every road should be paid a 5 per cent increase.

Mr. STEWART. Then, why did they say, "not exceeding"?

Mr. LLOYD. That is what I am talking about. Whenever they give the department leeway it takes advantage of it. If we had said what Congress intended, that the railroad companies should have 5 per cent increase, there would not have been any trouble at all, but instead of that we made the very serious blunder of putting in the words "not exceeding," and because we put in the words "not exceeding" you have been construing it from time to time to satisfy your administrative purposes, and the railroad companies have not received the 5 per cent.

Mr. STEWART. Take a company carrying 100 pounds daily average weight at the time that law was passed. They were receiving pay at the rate of $42.75 per car mile per annum, based upon the average daily weight of 211 pounds or less. Suppose there was a 50 per cent increase in weight?

Mr. LLOYD. I am not talking about your reasoning, but I am talking about how the thing has worked out.

Mr. STEWART. As a result of the parcel post. Their average daily weight would have been 150 pounds. Now, will anybody contend that Congress intended to pay that road 5 per cent more, while if we had actually weighed the mails we would not have paid them a cent more?

Mr. LLOYD. There is not any question in the world but what Congress intended, in addition to the $42.75, that they should get 5 per cent more.

Mr. STEWART. That is, pay them more than if we had actually weighed the mails?

Mr. LLOYD. Yes.

Mr. BRADLEY. Even the 50 per cent increase of weight might increase the expense of their side and terminal messenger service far beyond the allowance?

Mr. MACK. It would be interesting to know how the 5 per cent was applied to the Missouri Pacific and the other lines in the case which I presented to the department. The application of the non-exceeding clause deprives the company on its 150 mail routes of all sizes, of $22,000 a year. Now, had Congress not placed any restriction or limitation and intended the department to estimate the growth and pay on the assumed weight, it is hardly to be supposed that Congress would have limited the 5 per cent, because Congress should have been willing to pay for the weight over 5 per cent as well as the weight under 5 per cent. According to the estimate made by the Railway Mail Service with respect to our routes, which the Post Office Department furnished, we would have had $64,000, but by the use of the term "not exceeding" we lost out at both ends; we did not get the twenty-two thousand or the sixty-four thousand.

Mr. LLOYD. You got no pay at all?

Mr. MACK. We got 4.07 per cent instead of 5 per cent, but we have instances where there was considerable excess estimated by the Post Office Department over 5 per cent.

The CHAIRMAN. So you lost three-tenths of 1 per cent?

Mr. MACK. We lost ninety-seven one-hundredths of 1 per cent.

Mr. LLOYD. I did not intend to arouse any discussion but only to show the illustration.

The CHAIRMAN. I do not for the life of me see how Congress could have done anything else but what it did do. I did not see how it was possible for Congress to say that this increase of an activity had grown to be 5 per cent or 6 per cent. I put it in the bill myself in Congress, and there was debate made on the floor of the Senate, and a good deal of discussion in reference to it, and it was finally adopted by the Senate and concurred in by the House. I do not think Congress, not because I at the time happened to be one of the Members, was justifiably subject to criticism in that particular. I do not see how it was possible to make an explicit and specific rate any more than what went into the law. The intention unquestionably was, at least so far as the Members of the Senate supporting the amendment are concerned, that whatever increase was determined up to 5 per cent should be paid to the railroads because of increased business due to the extension of the privileges of the fourth-class mail.

Mr. LLOYD. And the "not exceeding" only applied to railroads that had not increased up to 5 per cent?

Mr. STEWART. Senator Bourne expresses it as we administered it; that is, the roads received everything they were entitled to on the weight up to 5 per cent. The rates were applied to these estimates of weights and we did not reduce the allowance below 5 per cent excepting where the additional weights did not justify 5 per cent. We gave them everything they were entitled to up to and including 5 per cent.

Mr. MACK. Do you not think under an equitable provision the railroads should have been paid for the increase if there was more than 5 per cent?

Mr. LLOYD. The law did not provide that.

Mr. MACK. I know, but I would like a reply in the record.

Mr. WORTHINGTON. I would like to get something else in the record. I think Dr. Lorenz will bear me out that my deduction from

Table No. 7 as to the operating expenses and taxes per car-foot mile for passenger service, was not incorrect. Is not that so, Dr. Lorenz?

Dr. LORENZ. Yes; I did not say it was incorrect, but I thought at the time the deductions you drew from it, that the department had justified twenty-four and a fraction cents, would apply only if paid for by the live space and not for the dead space. I see now, however, there is a little statistical puzzle and that the twenty-four and a fraction cents is the rate at the operating ratio they provide for in hearings No. 7, which would be the rate they would have to pay for all the space.

Mr. WORTHINGTON. It is 24.88 cents per car mile, the computation that I made.

Mr. SCOTT. With reference to the question of difference between competitive points, the universal rule in regard to all rates, both freight and passenger, is that the short-line distance rules. From New York to Chicago, on the mileage, the New York Central Railroad will only take advantage of the number of miles covering the distance by the Pennsylvania Railroad, and, therefore, any fixed rate that is fixed in this bill applying under the car rate should be applied to the short-line distance between any two competitive points. It seems to me that would meet Mr. Stewart's objection with reference to what is now covered by an agreement where the long line accepts the short-line pay.

The CHAIRMAN. As I understand, you concur with Gen. Stewart's statement as to the impracticability of putting fixed rates in the bill?

Mr. SCOTT. No; I do not agree to that. I said if the rate was fixed so much per car per mile, in fixing the rate from New York to Chicago it would be the rate both on the New York Central line and the Pennsylvania line on a competitive basis, notwithstanding the fact that the New York Central is longer than the Pennsylvania, because they use the short-line distance in fixing the rate.

Dr. LORENZ. And the law would have to provide that the Postmaster General may pay less than these rates per ton per mile on agreement with the railroad carrying it?

Mr. MACK. There is the point I arose to make a moment ago, and that was this: Fix a specific rate except where agreed to between the department and the company. That would give the railroad company some right. The maximum rate would have to prevail except where there were conditions justifying an agreement.

The CHAIRMAN. You mean a maximum rate or flat rate?

Mr. MACK. A flat rate.

The CHAIRMAN. You said maximum.

Mr. MACK. I did not use the correct term.

Mr. LLOYD. And provide further that it shall not exceed the flat rate.

Mr. MACK. The point I am getting at is that you can have a fixed rate and it ought to be a fixed rate except where there are conditions that justify an agreement between the department and the railroad company, and I think that rate ought to be fixed in existing law, because the department holds it can make any rate it chooses to-day.

The CHAIRMAN. How would that suggestion interfere with administration? Would it interfere at all? A flat rate, except where

agreed to between the Post Office Department and the railroad companies, providing that the agreement can not exceed the flat fixed rate in the law. Would not that cover your difficulties in administration?

Mr. STEWART. No. It would not cover in many cases, such as I mentioned a while ago. It would leave a wide field of controversy between the railroad companies and the department, and it would encourage controversies rather than eliminate them, because if there was a difference of opinion as to the facts in the case upon which the pay is fixed, if the statute has fixed the pay absolutely, that would give to the company a cause of action against the department in every case where there was that dispute, whereas now, where we have the statute, as it has been since 1873, with the "not exceeding" clause, as I explained a while ago, the order of the Postmaster General settles the question. If there is a slight difference between the company and the department, the order that fixes the pay within the maximum is a legal order.

The CHAIRMAN. Would that same difficulty exist in the suggested plan if adopted in administration? Would you have the same trouble?

Mr. STEWART. No; it would be exactly as it is now under the suggested plan.

The CHAIRMAN. I do not see where so many differences could occur if the suggested plan were adopted. I wanted to get from you whether, in your opinion, many of the opportunities for differences would cease in the adoption of the suggested plan.

Mr. STEWART. The suggested plan is the same as the present law; that is, it contains the words "not exceeding."

The CHAIRMAN. I know it does; but I do not know whether it would minimize the possibility of differences.

Mr. MACK. Then, when we get into court, where the maximum rate has not been fixed, the department's order puts the railroad in the position of having no defense, because the rate has not been fixed, and the proposition of fixing the stated rate, except where there is an agreement, would give the railroad some opportunity to have an agreement with the department and give it a standing, but it has no standing for anything at all to-day. At least I think the department takes the position that it has the right to fix the rate and we have nothing to do but accept it or decline to perform the service.

Mr. BRADLEY. My understanding is that Congress has frequently taken away a limitation on the payment of salaries to employees where for a period of years the rate was prescribed at not exceeding a certain amount, and then because of complaint from the employees that term "not exceeding" was eliminated, and I never hear that the department had any difficulty in administering the law.

Mr. LLOYD. We have a case where that is involved which has caused considerable trouble, and that is the case of an assistant postmaster. There is a specific allowance made for pay of postmasters in the United States, and the assistant postmaster receives in compensation "not exceeding one-half the pay of the postmaster." As a practical proposition, he never gets half the pay of the postmaster.

Mr. WORTHINGTON. He is not compelled to work for that salary. Under this present bill we have a law under which the rate will be

known, not exceeding, with the further provision that the railroads shall carry the mail.

Mr. LLOYD. There may be this marked difference between you and the employee: The employee, as a practical proposition, might be obliged to say in order to make a living for himself and family, whereas the railroad might not accept and you would still live.

Mr. STEWART. It has been held by the court that an executive can not diminish that pay.

Mr. LLOYD. In this particular instance I have mentioned they have fixed the pay, and the pay in some instances of the assistant postmasters is not as much as the clerks' pay in the post office.

Dr. LORENZ. It may be noted that the Interstate Commerce Commission in fixing rates to be charged by the carriers can only fix maximum rates, and perhaps this law could read that the carrier may charge not to exceed 21 cents. In that case any less payment would be a matter of agreement.

Mr. LLOYD. That is a good suggestion to think about.

Mr. MACK. That is substantially the suggestion I make, but only in another form.

(Thereupon, at 5.15 o'clock p. m., an adjournment was taken until 10 o'clock a. m. Friday, April 3, 1914.)

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FRIDAY, APRIL 3, 1914.

COMMITTEE ON POSTAGE ON
SECOND-CLASS MAIL MATTER, ETC.,
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 o'clock a. m.

Present: Hon. Jonathan Bourne, jr. (chairman), Senator John W. Weeks, and Representative James T. Lloyd.

All of the witnesses, with a few exceptions, attending the two preceding meetings were present, and all indicating a desire to be heard and those subsequently participating in the discussion were duly sworn by the chairman.

The CHAIRMAN. Dr. Lorenz, as I remember, yesterday at the hearing it was your opinion that under the evidence submitted and from the investigation you have been making during the past year or more on this particular subject, that the railroads were underpaid in 1909 about $5,000,000?

Dr. LORENZ. I would say that I thought the underpayment on the commercial basis was at least as much as that, but I would not undertake to say how much more.

The CHAIRMAN. But you think $5,000,000 of underpayment is a conservative statement and deduction from the evidence submitted from a governmental standpoint?

Dr. LORENZ. On a commercial basis; yes, sir.

The CHAIRMAN. In that connection, do you think that the mail pay should be treated on a commercial basis or does it differ from the ordinary commerce; and if so, what are the lines of distinction or difference in your opinion?

Dr. LORENZ. I have taken the position in my report, and I do not see any reason for changing it, that each branch of transportation

should, as far as possible, stand on its own bottom; that it should represent the expenses directly chargeable to it, as well as a portion of the cost of the joint facilities which it uses, and that, as I see it, is the commercial basis.

The CHAIRMAN. Therefore in your opinion, based upon experience in transportation and rate matters, the mail pay to the transportation companies from the Government should be treated entirely on a commercial basis?

Dr. LORENZ. I think so. Of course there is this fact to be considered in actual rate making: That the railroads do not receive the same rate of profits on all of their business; they may haul grain, for example, at very little above the operating expenses; they may haul ore and get a rate that is almost twice the operating expenses; and they get, in other words, the highest rate of profit they can, taking a low rate on some things where necessary and a high rate on others. If it be true that they have made a low rate on express matter, it is quite fair to argue that it is a presumption at least that equally as good a rate should be made on the transportation of mail for the Post Office Department.

The CHAIRMAN. Why? Because of the competition between transportation of mail and express?

Dr. LORENZ. It might be argued that the Post Office Department is in competition with the express companies.

The CHAIRMAN. That puts the department into competition with private parties, then?

Dr. LORENZ. It does.

The CHAIRMAN. That would be a new departure?

Dr. LORENZ. In a degree, yes; because they have always been more or less in competition, because small packages could always be sent by mail or express.

The CHAIRMAN. Would it be sound governmental policy for the Government to embark in private business where a private enterprise could perform the service as cheaply and efficiently as the Government itself?

Dr. LORENZ. I should say under those premises that the Government probably ought not to embark, providing there were not other advantages in Government operation. The power and influence which might come from monopolistic industries might make Government operation advisable on other grounds than mere efficiency and economy.

The CHAIRMAN. Monopolistic tendencies should be regulated by law and regulations?

Dr. LORENZ. That is a question that is now up—as to whether we can successfully regulate monopolies. We are trying to regulate the railroads, but it has been a case where regulations seem to be a few laps behind practice.

The CHAIRMAN. That is always so in legislation?

Dr. LORENZ. Yes, sir.

The CHAIRMAN. And must necessarily always be so?

Dr. LORENZ. I would say, therefore, whether or not governmental ownership is desirable will depend upon the extent to which we can demonstrate that control of privately-owned monopolies is not wasteful, difficult, and impossible.

The CHAIRMAN. But it is your judgment it should be given a fair trial before embarking on governmental ownership?

Dr. LORENZ. Yes, sir; but those are general questions upon which my opinion is not worth very much. That is a matter of statesmanship and policy.

The CHAIRMAN. But your opinion is valuable from the experience you have had in rate making with the Interstate Commerce Commission and your training before your connection with the Interstate Commerce Commission with reference to the question as to whether, on the evidence submitted, the railroads were underpaid or overpaid in 1909?

Dr. LORENZ. That is largely a matter of analysis of the statistics submitted.

The CHAIRMAN. That is all we have to go on?

Dr. LORENZ. Yes, sir.

Senator WEEKS. In making that analysis did you come to the conclusions that there were any classes of railroads being inadequately paid or any part of the service that was being suitably paid?

Dr. LORENZ. I was unable to come to a conclusion regarding specific classes of the service, but took the mail service as a whole; that is, I did not attempt to distinguish fast mail service, for example, from other service.

Senator WEEKS. You have no opinion whether the trunk lines are being suitably paid and the short lines not? Did you segregate those in any way?

Dr. LORENZ. I did submit a table in which the earnings per car mile of the mail as compared with the earnings from passenger traffic by classes, such as you mentioned, but I do not remember exactly the result. It seems to me there was not such a difference as I had originally thought. It did not seem to me that the heavy trunk lines were specially overpaid as compared with the others; they were receiving less per car mile than the short lines or lines with light traffic and their car-mile revenue from passenger trains generally was also less. It seems to me, as I remember it now, that on the intermediate lines there was more disparity in the earnings rather than in the case of the heavy lines on light lines.

Senator WEEKS. What do you call intermediate lines?

Dr. LORENZ. I mean the lines from 5,000 pounds to 48,000 per day. But those figures were in the nature of an estimate, so I would not express that conclusion with any great confidence.

Senator WEEKS. Did you bring the figures of 1909 down to 1913, taking into account the increased pay to railroads and the volume of business carried, and come to any conclusion as to whether the railroads were suitably paid in 1913, leaving out the parcels post?

Dr. LORENZ. Only in this way: The average passenger train car-mile earnings in 1912 are very similar to those in 1911 and 1910, and from the statistics of mail car miles of service, compiled by the Post Office Department as of 1913, it does not seem that there is much change there in the earnings per car mile in the mail service, so that from that evidence I would say that there was no great change to be shown in the amount of overpay or underpay.

Senator WEEKS. In the amount, or in the proportional part of total earnings?

Dr. LORENZ. In the proportional part of total earnings, that is, the total pay has increased very slightly in that period.

Senator WEEKS. Then the underpayment in 1913 would probably be less than it was in 1909, according to your conclusion?

Dr. LORENZ. I think it might be greater unless there has been an economy in space authorized.

Senator WEEKS. I said the underpayment would probably be less, but I meant would probably be more.

Dr. LORENZ. There are several influences at work. On the one hand the railroads claim that their expenses of operation have increased, and they undoubtedly have in some respects. On the other hand we are operating during these years under a weight basis and some additional weighings have taken place during that period and naturally that would increase the total pay coming to the railroads, without necessarily increasing the actual cars hauled, or the amount of service rendered, the cost to them of rendering the service. So that would be an influence tending to reduce the amount of underpay. If they are getting more money and not rendering more service so far as expense is concerned, it would tend to reduce the amount of overpay. In fact, if we should let the present system of pay, the present rate, go on for 10 or 20 years, it is conceivable if the department is able to effect economy in loading, and so forth, the underpay would soon be entirely wiped out.

Senator WEEKS. How could the department effect economy in loading?

Dr. LORENZ. In the increased tendency to use storage cars if the parcel post developed. My understanding is that relatively less distribution space is required for parcel post because a greater proportion of it is distributed before it goes on the train and that would tend to reduce the greater relative proportion of storage cars and therefore the pay to the railroads increases faster than the number of cars hauled under the present law. In other words, if you could increase the proportion of storage cars from 10 to 20 per cent, you would be adding to the pay of the railroads under the present law much more than you would be adding to the car mileage.

Mr. PETERS. At the same time would you not be getting service performed for the Government at a lower rate per ton-mile by the concentrated weights?

Dr. LORENZ. Yes; I think that would be true.

Mr. PETERS. In other words, there is still opportunity for the Government to economize in the actual aggregate cost of transporting the mails under the present system of pay.

Mr. MACK. With regard to the increased earnings for mail, I submitted a statement the other day showing the total for 1913 and the increase in compensation was less than half a million dollars as compared with 1907.

Mr. WORTHINGTON. In that connection the report of the Postmaster General for 1913 shows a large increase in service with very little increase in revenue. The railway mail pay committee submitted a statement for 1913 which shows a decrease in the annual rate of railway mail pay per mile of mail routes from $229 in 1909 to $225 in 1913. During the same period the operating revenue from all traffic per mile of road increased 17.6 per cent and the operating expenses

increased 29.6 per cent, taxes increasing 34.6 per cent, which would indicate to my mind that there has been a very large increase in railway operating cost and a decrease in mail revenue per unit of service performed.

Dr. LORENZ. It is true in these years following 1907 the increasing weights of mail will not have the effect that they will have later on, or would have before, because of the change in the method of calculating the weights, until all the routes have been weighed, so that we have a sort of lull, you might say, in the increase in railway mail pay.

Mr. SCOTT. On account of the divisor. But that was all wiped out in 1911 and since 1911 we are on an even keel.

Dr. LORENZ. My impression was that the earnings of 1913 showed very heavy increase in the western section.

Mr. SCOTT. That may be, but it is not due to the divisor.

Dr. LORENZ. In that case; no.

Senator WEEKS. Do you think it would be practicable for the Post Office Department to handle the parcel-post service in a similar manner as the express business has been conducted by the express companies, by segregating the business and paying the railroads a proportional part of the gross receipts?

Dr. LORENZ. I have not given much attention to such segregation. It would be necessary, of course, in that case to restore the special stamp in order to keep track of the revenues on that business.

Senator WEEKS. By hauling it in different cars?

Dr. LORENZ. The mere hauling of it in different cars would not distinguish the revenue.

Mr. SNEAD. That is, assuming that there was a separate office to handle the parcel post, in which event you would have to duplicate the express equipment to handle it.

Dr. LORENZ. Of course we would have to assume the Post Office Department would take the parcel post through its regular channels.

Senator WEEKS. I am thinking particularly of Mr. Stewart's contention that the Government is entitled to a different rate from the railroads in conducting the mail service from that given to general shippers. Certainly there would not be any virtue in that argument if it applied to parcel post alone. That is commercial business. If there is any virtue in it, it must apply to first-class mail and mail of that character.

Mr. LLOYD. First and second class mail?

Mr. PETERS. That is because the Government exercises absolute monopoly in that service.

Senator WEEKS. It does as to first-class mail.

Mr. PETERS. While, as you explain it, that is the real difference between the first and second class, yet with the new commercial business, to run as you suggest, the department would have to have a regular accounting system and would be forced to keep segregated the earnings of the parcel post as well as the earnings from the other classes, and then the railroads would have another class of cars to handle, another branch of service to perform later—the first-class mail, the parcel-post mail, and the express mail—which makes it still more difficult.

Mr. LLOYD. That is true, if the idea that is advocated by some people and what seems to be the inclination of the Postmaster Gen-

eral, to actually take over the express business, is carried out. If we take over the express business, the Government will have to conduct it as a good business man would conduct the same business, because it is purely commercial, as Senator Weeks says.

Mr. MACK. But as it stands to-day on all the mail routes of the country, it is practically a necessity to keep the two services together. On the smaller lines it would be a practical impossibility in the operation of the Railway Mail Service. I speak from many years' experience in the Railway Mail Service myself, and I say it is a practical impossibility to segregate the two classes of mail. I have no doubt it would have been done long ago if it were at all possible.

Mr. LLOYD. Do you not think that the Government could conduct the express business and carry parcel post as express and not as mail, just as the express company carries the parcel as a commercial proposition and not as mail?

Mr. MACK. I speak now with reference to the parcel post as it exists to-day.

Mr. LLOYD. I am talking about how it might exist if the express companies are done away with, if the Government takes over the express business, either by confiscation or changing the rates. The question is how will the Government handle that express business. I was getting at the question whether they would not have to handle it the same as the express companies handle that business, and would they not handle it as a commercial proposition and not as a mail proposition, and if they handle it as a commercial proposition, would they not keep the same kind of accounting that the express companies now keep in conducting that class of commercial business, and would it not be reasonable for the Government to make some arrangement with the railroads, as do the express companies now, to wit, a division of the profits? If they did that, it would be conducted merely on a commercial basis and it would be an entirely different kind of accounting to what there is in vogue at the present time. In other words, we would have a new class of business handled by the United States, and we would say, in effect, we will no longer carry parcels as mail, but hereafter we will carry parcels as express and we will have a monopoly of that business, just as we have a monopoly of the first-class mail business. But it shall be a commercial monopoly and not a mail monopoly.

Mr. BASKERVILLE. Would not the railroad company be a common carrier in that instance, instead of an agent of the Government?

Mr. LLOYD. I am not a witness on the stand.

The CHAIRMAN. What would be the result if that were done? Would not the result be that the Government would have to pay probably $25,000,000 or more in compensation to employees than is now paid by the express companies, and would the Government get any cheaper rates under governmental ownership and operation than they receive to-day from the express companies under regulation?

Mr. LLOYD. That is getting back to the merits of the proposition of taking over the express companies. At the present time, and speaking for myself, I am not convinced that the wisest thing to do is to take over the express companies, but there are those who are convinced.

The CHAIRMAN. I think it would be most detrimental. I do not think the public would get as good service or anything like as cheap rates as they would under private operation of the express companies, regulated as they are now by the Interstate Commerce Commission. I think the two services are entirely separate and distinct; the Government should operate the mail and the express companies the express, so that they should be correlated together as they are now. The evidence submitted, as I recall, in 1912 was that the number of express employees was 50,000, who devoted their entire time to the express business and 35,000 devoting a part of their time to the express business and part to the railroad, telephone, and telegraph business. Their average compensation was a little less than $50 a month. The average compensation of postal carriers and clerks performing similar service to the express employee was over $90 a month. Unquestionably, if the express employee became a governmental employee, his salary would be the same as the present postal employee receives at the present time, assuming he performed a similar duty. In addition to that, I think there is a tremendous danger in adding that many additional employees to the present number of governmental employees because of the increasingly political influence they would wield under our form of government.

Mr. WORTHINGTON. I think a very good argument against the space basis is the possibility of the Government taking over a large amount of the express matter which would put it directly in competition with the express companies, which necessarily have to pay the railroads more or less in proportion to the tonnage handled, whereas under the space plan the Government would have available a very low car-mile rate which they could utilize by filling the cars to capacity and handling that class of freight for rates that would be ruinous to the express companies competing with it.

The CHAIRMAN. I am not convinced at all as to the soundness of that application against the adoption of the space basis.

Mr. LLOYD. That would be only an objection to the proposed rate and would not be an objection to the proposed space basis. As I understand it, the railroads' objection—to bring it down to the correct analysis, is only an objection to the rate and not an objection to the space basis. The objection to the space theory that is urged by the railroad companies is the administrative feature, the railroad companies fearing they will not be properly treated in the administration of space when we leave it solely to the department as to what space shall be used when the railroads have no opportunity of appeal to anybody to determine whether the demand or the requirement of the Postmaster General is a reasonable demand to make upon them. In other words, under the proposed system, there is no appeal from the decision of the Postmaster General.

Mr. PETERS. We have more objection than that. We put up as a still further objection to the space basis the argument that the Government, through the space method, would be taking a utility of transportation on some unfixable basis that they could use to their advantage to greatly increase their profits from the transportation of parcel post, and the railroads not participating in the increased revenues from the use of such facilities of transportation.

Mr. MACK. In other words, the railroads were constructed to handle commercial transportation and the Government assumes a part of

that transportation and takes the business from the people. If the railroad company undertook to handle this commercial business, and where it does it fixes a rate for the transportation of that business. The proposition on a space basis is that the Government collects the postage on the basis of weight and then proposes to ship it in bulk on a space basis, the Government making a profit which properly and reasonably, I think, belongs to the railroad company which would otherwise handle the business itself. As to freight, the Government puts itself into competition with the railroad company, as Mr. Worthington points out, and which would, on that theory, seriously injure the railroad earnings.

Mr. LLOYD. You do not concede that the Government will make a profit on parcel mail, do you?

Mr. MACK. The Government should charge an equal amount for transportation to pay the railroads a proper amount for transportation equal to that which they receive from the express companies, which I think is too low in many cases.

Mr. PETERS. Mr. Lloyd, do you not think the Government will make a profit from the parcel-post business?

Mr. LLOYD. I thought the contention of the railroads was that it would not make a profit.

Mr. PETERS. I do not think we have contended that at all. On the contrary, estimates and statements made by officials of the department would indicate a large profit.

Mr. LLOYD. Would the railroad companies be willing to carry the parcels at a 50 per cent rate of what the Government now receives?

Mr. PETERS. In other words, on the same basis as the express?

Mr. WORTHINGTON. I should say we would.

Mr. BRADLEY. But on a very different schedule of rates, the rate now being paid being much lower than those now charged in the express service on short hauls?

Mr. WORTHINGTON. To show the difference in profit on small parcels, I have a statement prepared by Wells, Fargo & Co. showing the results, under the Interstate Commerce Commission, on packages from 1 to 20 pounds, based on the actual traffic for one day. Moved at the latest Interstate Commerce Commission rates for express, the charges to the public on those small parcels would average 80 cents per ton-mile, of which the railroads would receive 36.53 cents per ton-mile. Moving the same traffic by parcel post, the charges to the public per ton-mile would be 34.40 cents, of which the railroads would receive 6.56 cents, or approximately a little more than one-fifth their compensation at the express rates.

Mr. LLOYD. The question I asked a while ago was would you be willing to carry it for one-half of the amount, 17 cents; and to that question you answered yes. But if you answer yes to that proposition, then you answer yes to the contention of the Post Office Department that 18, 19, or 20 cents is sufficient pay.

Mr. PETERS. I answered on the general proposition that, taking the experience of the English railroad, where they get 55 per cent of the earnings from the parcel post we get here practically 50 per cent of the express companies' revenues. With the parcel post as a whole you might be able to work out an arrangement whereby the railroads would be in partnership with the Government and get 50 per cent of the earnings for the transportation.

Mr. LLOYD. But would you want them to increase the present parcel-post rate?

Mr. PETERS. It would largely depend on what could be worked out of it.

Mr. WORTHINGTON. I think the department would have to increase the rate, because they would have to pay more to the railroads, and it would be necessary for them to increase the rate to the public to cover their other expenses.

Dr. LORENZ. Does not this discussion show that perhaps the relations between the railroad companies and the express companies ought to be studied to ascertain what is the best method of paying the express companies?

Mr. LLOYD. In that connection I want to ask you some questions. What do you say as to the effect of the comparisons submitted by the Second Assistant Postmaster General between express pay and mail pay between the various large cities of the United States? Do you think that that is an argument that tends to show that the railroad companies are receiving too much or too little? Is it an argument that has a direct bearing in determining whether the railroad companies are now receiving too much or too little?

Dr. LORENZ. I do not think the direct comparison of the charges per hundred pounds or per ton between cities is of significance, unless you take into account the volume of the business per car between the cities. However, the same comparison can be made and was made by the Second Assistant Postmaster General on the car basis, and there he showed from his figures that the average revenue to the railroad companies from carrying the express was something over 21 cents, whereas the railroad companies claim that it was 23 and a fraction cents. That is a more convincing comparison, I think, than the mere comparison of the rates to the shipments, because you are completely in the dark as to what that produces per car. You can readily see that it is the car earning rather than the per ton earning that is important, if you imagine a change in the load per car of only 1,000 pounds. If 21 cents is the payment per car, if you have 3 tons in the car it is 7 cents per ton-mile; and if you have 2 tons per car it is 10½ cents per ton-mile; and, obviously, if you show that between two cities the Government was paying 10 cents per ton-mile and express 7 cents per ton-mile, you would not be showing by that that there was any discrepancy in the pay, because for the same service, namely, the hauling of a car between two cities, they would be getting exactly the same per ton-mile, and the only thing you would have to consider would be the expensiveness of that service, and we have had some testimony on that point.

Mr. LLOYD. What would you say as to his comparison of what he calls an average package of express, with a similar weight in mail carried between principal cities; in other words, the 40-pound table that he fixes?

Dr. LORENZ. I should say that was an indirect way of making the comparison I just mentioned, but with less accuracy. In attempting to state the average package at 30 pounds, he is trying to make an allowance for the difference in the method of shipment, but I do not believe you can obtain any exact results in that case.

Mr. LLOYD. What would you say of the railroads' presentation of 40 packages of 1 pound each, carried by the express company, compared with the 40 pounds of mail in one package?

Dr. LORENZ. I should say that was quite unconvincing. I do not think they presented it for any other purpose than to show the unreasonableness of that sort of comparison?

Mr. LLOYD. Does it show unreasonableness?

Dr. LORENZ. I think it does.

Mr. WADE. Have you any data which would show the average amount of express that is carried in carload lots in individual packages?

Dr. LORENZ. No, sir. I have no statistics at all except those that have been mentioned, tending to show the average weight per piece.

Mr. WADE. You do not know the percentage of express that is carried in full carload lots?

Dr. LORENZ. No, sir.

The CHAIRMAN. Dr. Lorenz, the question of under or over pay, based upon the ascertainment and presentation made in what is known as Document 105, depends entirely, does it not, upon the apportionment of dead space for the month of November as represented in table 7 of that document?

Dr. LORENZ. The original contention of overpay by the Government depended partly on that and partly on other things. It depended partly also on the question of what was a proper basis for reckoning capital charges. In other words, they had practically omitted capital charges.

The CHAIRMAN. That was in the original suggested bill submitted by Postmaster General Hitchcock, but the supplemental bill modified the position of the Postmaster General taken originally. But what I mean is the space reported and submitted by the railroads at the request of the Post Office Department, filed and tabulated by the Post Office Department and shown in what is known as Document 105, is the only information available upon which the Post Office Department's contention rests as to overpay or underpay, is it not?

Dr. LORENZ. I think it is.

The CHAIRMAN. And the soundness or correctness or justness of their deduction depends upon the apportionment of dead space as represented in that document?

Dr. LORENZ. There can be no question about that.

The CHAIRMAN. What are your views in reference to the justness of their apportionment of dead space in that document?

Dr. LORENZ. I have said, I think, many times before that in my opinion there can be no question about the justness of making a comparison between passenger-train services, upon the same basis exactly in all cases, that is to say, to take the gross amount of space necessarily run in connection with the service. The only way in which the Post Office Department can justify the elimination of any part of what has been known as dead space, is to prove that the returns were inaccurate, or that there was negligence or lack of attention given in the matter of the amount of space run. I think the analysis of the Missouri Pacific figures, as made by the Post Office Department, and in turn as made by Mr. Mack, shows very clearly that there was no great error on either side as to the facts, but that

the difference is entirely a matter of interpretation of those facts. The amount of fictitious space, or you might say space that was charged by the Missouri Pacific which did not exist, which the Post Office Department claimed did not exist, such as the mails run on Sunday, the space charged for on Sunday when there was no apartment-car service on Sunday, constituted a very small fraction of the total. On the other hand, the errors of the Post Office Department also were less than 1 per cent.

Mr. MACK. Ten times as much as the instance you illustrate, 900,000 as against 95,000?

Dr. LORENZ. But it seems to me that the dead space which they did throw out was divisible into a few different types. For one thing, a large bulk of it is due to the furnishing of apartment cars somewhat longer than the department reported they needed. With respect to that I do not see how one can avoid charging the department with such space, for the reason that you can not sell fractions of a car without having left over what might be called trimmings. In other words, you can not fit the department's exact needs. Regarding one type of dead space, however, in the Missouri Pacific analysis, there might be a question, and I think a third of it nearly was of this nature, namely, that the department needed a half or less than a half a car and the company furnished a whole car. The question might be raised in that connection whether they could not have, by a different arrangement of the service, supplied them to the department rather than the whole car; that that would occasionally happen is probable, but when it constitutes a third of the total I think one may fairly raise the question as to whether by close attention, it could not have been reduced.

Mr. MACK. I would like to say in connection with the total that this happened on a very long line we had on the prairie from Kansas City to Pueblo, and I doubt very much whether that proportion would hold throughout the country. I doubt if it is quite as much as that.

Mr. LLOYD. As I understand you on the question of dead space, your question is that the correct position to occupy is somewhat near midway between the contention of the railroads on the one hand and the department on the other?

Dr. LORENZ. I do not wish to simply split the difference.

Mr. LLOYD. I am not asking that.

Dr. LORENZ. I would say that the department has certainly assumed an extreme position, and this analysis of the Missouri Pacific shows that one might raise some question at least, but I am rather inclined to think——

Mr. LLOYD. That the department is nearer correct than the railroads?

Dr. LORENZ. No. I am inclined to think rather the other way, according to this analysis, that it would be somewhat more than half the space properly charged to the department.

Mr. STEWART. I think it would be fair to allow Dr. Lorenz to hear the department's statement before he expresses an opinion upon that point, because we have considerable matter to offer this morning bearing directly thereon.

Mr. BRADLEY. Mr. Chairman, might I make a suggestion right here?

When the case of the Missouri Pacific was spoken of as being typical, I made a comparison between the proportions of the different kinds of mail space on the Missouri Pacific as shown in Document 105, with the proportions assigned by the department for the different kinds of space on all the railroads of the country, and then I made a further analysis of percentages for the different kinds of space on the Pennsylvania Railroad system, and I find that of full railway post-office space the Missouri Pacific had 31 per cent of its mail space, whereas the average for the whole country was 37¼ per cent, for the Pennsylvania Railroad system 41½ per cent, so you see there is a difference in railway post-office space between the Missouri Pacific and the Pennsylvania system of, say, 10 per cent. On apartment-car space the Missouri Pacific's proportion of its whole was 47 per cent as against 32 per cent for the whole country and as against 17 per cent on the Pennsylvania system. On the closed-pouch space the relative percentages were 1.4, 2.29, and 3.3. Further, there is not a very serious difference in the storage space, the Missouri Pacific being 1.3, the percentage of the whole country, including dead space, being 8.25, and on the Pennsylvania Railroad system 16 per cent. The relation between the deadhead space and the dead space was also somewhat variable. I simply wanted to bring that out to show that one would have to be guarded as to the extent to which the Missouri Pacific case could be regarded as typical, particularly as to storage space.

The CHAIRMAN. Gen. Stewart, we are ready to hear from you.

Mr. STEWART. I stated yesterday that the Missouri Pacific statement was in effect a restatement in another form of the differences between the method of the Post Office Department in handling the reports of the railroad companies and classifying the space and the rules of the railroad committee in regard to the same subject matter. We have this morning some specific facts in regard to reports which we wish to submit and which will, I think, bring to your attention more particularly the reasons which underly the department's method.

The CHAIRMAN. That is the rule that you adopted in making the apportionment?

Mr. STEWART. Yes; as it is specifically related to the Missouri Pacific data.

## STATEMENT OF MR. C. H. McBRIDE.

Mr. McBRIDE. I wish first to specifically refer to some of the particular cases mentioned by Mr. Mack on page 3 of his statement with regard to the data on some of the routes which he states are erroneous. With regard to route 147040 Mr. Mack is correct in his calculation. I might state here that volume 11 was printed without the department being given an opportunity of making corrections. We were rechecking it at the time it was submitted, and in the recheck we discovered the error on route 147040, which amounted to 17,982 car-foot miles additional credit to the company. In that recheck we also found some typographical and other errors which will be corrected in the revised edition, but they changed only slightly the total results presented on page 1296. As to routes 145034 and 145062, with respect to which Mr. Mack states the original errors made by

the company were corrected by letter of August 31, I will say that he was right in both cases. We mentioned the fact in the memorandum regarding the second route, but not as to the first. As to route 147061, which Mr. Mack states is not a route of his company, I will say that the report for this company came in with the other Missouri Pacific reports and bore the imprint of Mr. Mack's office stamp. Furthermore, we consulted Poor's Manual, which stated that it was controlled by the Iron Mountain, and it was therefore concluded that it was part of the Missouri Pacific system. If that is incorrect it would require the elimination of all the car-foot miles of all the services reported for this route from the totals for the system. A computation as to the effect such elimination would have on the totals for each service for the system given in Document 105 does not change the percentages at all, although the total amounts are slightly changed.

Mr. MACK. Mr. McBride should add to his statement what I mentioned to him yesterday with reference to that route. I stated that I transmitted that report at the request of the Short Line's secretary.

Mr. MCBRIDE. We are willing to eliminate the report for that route.

On route 145042 Mr. Mack states that the company did not report 5 feet of car space on this route as the department memorandum indicated. I would state that this was due to a typographical error in volume 11, which showed 5 feet instead of five-tenths of a foot, the correct figure. I think you will find that agrees with the original report.

Mr. MACK. It does not agree with my original report. We had nothing in the month.

Mr. MCBRIDE. On route 149039 Mr. Mack states that there was Sunday service on this route, and that the railway mail schedule shows for trains 11 and 12 such service. There was no railway post-office service on Sundays. Page 77 of the eleventh division schedule, in effect in November, 1909, which I have here, shows trains 41 and 42 and not trains 11 and 12 between Texarkana and Shreveport, with the key letter "H," which interpreted means "Trains daily. Railway post office service daily except Sunday." Furthermore, if you will look below the time-table for the railway post office in the schedule, you will find that it shows train 42 pouching to Cairo and Texarkana, train 4 at Texarkana "B," which means "daily except Sunday." Cairo and Texarkana railway post office is a daily train, and if this railway post office ran on Sunday it would certainly have made this pouch on that day as well as week days. Apparently, however, there were express pouches carried on Sunday, for which no charge was made by the department. This is immaterial, but it is one of the cases where space was charged on Sundays that was not used. I wish to call particular attention to the item which Dr. Lorenz was discussing when I came in, and that is the deadhead space reported in the apartment-car service in each direction by the company, which was transferred to "dead space" by the department in its tabulation. The particular instance which I desire to call attention to is that of the Kansas City and Pueblo railway post office and the Kansas City and Coffeyville railway post office, which ran

over routes 155091, 155067, and 165036, between Kansas City and Pueblo, 639 miles, and route 155031, Osawatomie to Dearing, Kans. There were two railway post offices operated over these lines—the Kansas City and Pueblo railway post office, which runs through between those points, and Kansas City and Coffeyville railway post office, which operates over routes 155091 and 155067 to Osawatomie, where it diverts and runs to Coffeyville. There are two trains each way on each railway post office, making eight trains altogether. On six of these trains the company reported 30 feet apartment-car space and 30 feet deadhead space. The Railway Mail Service reported that this additional 30 feet was not needed for any purpose by the mail service. The department contends that in an ascertainment of the character of that of November, 1909, it was unfair to take a condition of operation existing in the month of November, which might change in the very next month, and, properly, I think, diverted that 30 feet of deadhead space to dead space in the tabulation of car-foot-miles.

The CHAIRMAN. Why would not that same argument apply to the value of all the ascertainment in November, 1909?

Mr. MCBRIDE. I do not think it would. We were endeavoring to get a basis for ascertaining the cost of the service, based upon what the service needed and not upon what the railroads might choose to operate. The space of that character on the system amounted to 3,248,000 car-foot miles. The case that Mr. Mack referred to specifically in his statement, of the car running from Topeka to Granby, I might mention. As I understand it, the car was operated from Topeka to Fort Scott on route 155060, and from Fort Scott to Cornell Station over trackage on which there was no mail service authorized at that time.

Senator WEEKS. How far is that?

Mr. MCBRIDE. I haven't the distances. From Cornell Station to Pittsburg the car was operated over route 145073, from Pittsburg to C. & W. junction it was operated over trackage upon which no service was authorized, and then it was taken up on route 145040 and ran from C. & W. junction to Webb City on that route, and from Webb City to Granby on route 145100, although no R. P. O. service was performed on any part of the route except between Topeka and Fort Scott. The company charged us with 22 feet from Topeka to Fort Scott and from C. & W. junction to Granby, but made no charge to mail service between Fort Scott and C. & W. junction.

The CHAIRMAN. Was there any service authorized between C. & W. junction and Granby?

Mr. MCBRIDE. No R. P. O. car service.

The CHAIRMAN. But they charged you with it?

Mr. MCBRIDE. Yes, sir.

Mr. LLOYD. Was it necessary that the car pass over that route in the performance of the service?

Mr. MCBRIDE. Not in the performance of mail service. This amounts to very little, only 44,000 car-foot miles, but I cite the case to show how the companies charged unused space to the mail service.

Senator WEEKS. Before you go on, I understand that the month of November has been taken as a basis for these figures, because it was a fairly average month. Now, that you question the desirability of

taking that in one instance, why can not it be questioned in every instance?

Mr. McBride. I do not question the fairness of taking it for an ascertainment of the space in use, but I do question the fairness of charging against the mail service deadhead space in each direction in the ascertainment of space upon which to divide cost.

Senator Weeks. Would it be an error to take any other method?

Mr. McBride. I do not know that it would, but, as I stated before, the conditions in the very next month might be changed; the roads might change their operations so that this 30 feet of space was not necessary even from their standpoint.

The Chairman. Is it possible to get a fair permanent basis?

Mr. McBride. Based on the needs of the service; yes.

The Chairman. How about the needs of the railroads themselves? Should not they be considered as well as the needs of the service in the apportionment of cost or in the compensation?

Mr. McBride. That is entirely in the hands of the company. We tell them what we need, but under this proposed law it is not to be supposed that we would pay for 30 feet additional space in each direction from Kansas City to Pueblo, for 1,278 miles, which we do need or use.

The Chairman. Not if you did not authorize it and did not use it?

Mr. McBride. That is the point.

The Chairman. Neither do the railroads contend that you should.

Mr. McBride. They contend that we should be charged with this space in this ascertainment.

Senator Weeks. How often do you change your instructions to the railroads as to how much space you are going to need?

Mr. McBride. I do not think that it would be possible to make any definite answer to that.

Mr. Lloyd. You change just as the service changes?

Mr. McBride. Yes; there might be some special conditions come up at any time that would require additional space on a line through diversion of mails formerly sent over other lines.

Mr. Lloyd. How much notice do you give the railroads when you make a change with reference to the authorization of space?

Mr. McBride. In the railway post-office service we give 30 days.

Mr. Lloyd. In apartment car, how much?

Mr. McBride. I think it varies. I would not want to say, because I do not think there is any settled rule.

Mr. Lloyd. Can you give some instances—the extremes, for instance? I think that information is of value.

Mr. McBride. I might cite the case of the Western Pacific Railway Co., where we asked for apartment-car space a year and a half before we secured it. We were in negotiations with the company during the entire period, and finally we persuaded them, previous to the weighing, to fit up part of a car for use as a distributing apartment. They agreed to provide steel apartment cars as soon as they could get them. In the meantime they fitted up a small space in their baggage cars until the regular cars could be furnished, which are now running.

Senator Weeks. That is a new road?

Mr. McBride. Yes, sir.

Senator WEEKS. That condition would not apply to roads generally?

Mr. MCBRIDE. We would give them a reasonable time in which to provide a larger car. We do not require the impossible.

The CHAIRMAN. What are the extremes in cases where you have notified the railroads of changes, in days, weeks, or months?

Mr. MCBRIDE. The Railway Mail Service has the specific charge of the apartment-car service, and it would not come under my personal observation sufficiently to know that.

Mr. STEWART. Mr. Gaines, of the eleventh division, is here, and we would like to hear from him.

The CHAIRMAN. We would like to hear from you on concrete instances of extremes, the periods of notice of change in apartment-car service?

Mr. GAINES. Changes, or asking for additional apartment-car service?

The CHAIRMAN. Either. The discontinuance, decrease, or increase?

Mr. GAINES. It is a matter that calls for correspondence with the railroad companies. For instance, if we desire to put additional apartment-car service on a line, we ask the company if they can furnish cars of a designated size. If they have the cars available, we put the service on as soon as we get authority from the department for the additional service. It may be one week, it may be two weeks, and in some cases that have come under my personal knowledge the railroad companies have stated that they did not have the cars and could not furnish them. In one instance that I recall it was over a year before we secured the apartment cars we had requested and were able to start the postal-clerk service.

The CHAIRMAN. In that instance was there any criticism on your part as to the inattention of the railroads to your application, or was it due entirely to the conditions existing and the impossibility of compliance by the railroad with your request?

Mr. GAINES. The facts were reported to the department. The railroad company stated that it was on account of inability to furnish the cars. The case I had in mind was on the Gulf, Colorado & Santa Fe between Fort Worth and Galveston.

The CHAIRMAN. There was no criticism, then, on your part, so far as the railroads were concerned?

Mr. GAINES. No.

The CHAIRMAN. With regard to the change due to diversion or decrease in the number of feet of apartment service, how long a period—I should say the shortest and the longest—have you given the railroads to comply with your changes?

Mr. GAINES. Do you mean the decrease in apartment-car service?

The CHAIRMAN. Yes; or discontinuance, either.

Mr. GAINES. If it is a case of discontinuance, there would be no time necessary, for we would simply withdraw the clerk from the trains and notify the railroad company that the apartment-car service, so far as the Railway Mail Service was concerned, had been discontinued.

The CHAIRMAN. That would be a day's notice or two?

Mr. GAINES. Yes. I want to correct that statement. If we were taking a postal-clerk service off—that is, where clerks perform serv-

ice in apartment cars—and were substituting closed-pouch service, we would give the railroad companies due notice that the department would discontinue the apartment-car service and that the railroad company would be expected to handle the closed-pouch mail from a certain day, giving them ample time to arrange for handling the mails by train baggagemen.

The CHAIRMAN. You would give the company several days' notice regarding a change of that kind?

Mr. GAINES. Yes.

The CHAIRMAN. In the case of a discontinuance you would notify them 28 hours or 48 hours ahead?

Mr. GAINES. If it was a case of discontinuance of apartment-car service without substituting closed-pouch service therefor.

I do not remember an example of just that kind. In cases where the railroad company discontinues the train service the apartment-car service would be discontinued automatically.

The CHAIRMAN. There is no instance where the department has discontinued on account of diversion of mail to some other route?

Mr. GAINES. Not as long as the mail service was maintained.

Mr. MCBRIDE. Or without substitution of closed-pouch service.

Mr. ROWAN. Do you notify the railroad companies every time that there is a change in the amount of space that you need for apartment-car space—that is, where you require less space than the space which the railroad company is furnishing?

Mr. GAINES. I can not say that that has been done. In the first place, we made a close estimate of the amount of apartment-car space that was necessary for the use of the Railway Mail Service and notified the railroad company. I do not recall any cases where we subsequently notified the railroad company that 25 feet would be necessary instead of 30 feet. I do not know that we have had a case of that kind arise in the eleventh division. There have been cases where the needs of the service would outgrow a 20-foot car and we would notify the company that we needed a 25 or 30 foot car, but the tendency is nearly always to grow, except in abnormal conditions, and I do not recall a single instance where we have notified the railroad company that a 30-foot car was no longer needed and that a 25-foot car would do.

Mr. ROWAN. On the New York Central lines the policy has been for the Post Office Department to notify the railroad company when they desired apartment-car service, due to either change in schedules or change in conditions, notify the company of the size of the car that they want—we furnish it if we can, and if we can not we furnish a larger size car, and we are willing to put the car on 12 hours after we get the notice. In fact, we have had cases where we have had less than 12 hours' notice from the Railway Mail Service—where the necessity for it arose and where we were asked to do so. But we have had no instances that have come to my attention in the last five years where the Railway Mail Service have ever told us, having furnished a larger-sized car than was necessary, that they needed less space. As long as we are furnishing more space than they need there is no complaint. Where a 15-foot car is furnished and they find the needs of the service require 25 or 30 feet, we do get notice that they desire us to put on a larger-sized car.

The CHAIRMAN. Can you criticize the Government representative for that?

Mr. ROWAN. No. You simply said you wanted to get these cases in the record, and I was putting them in for what they were worth.

Mr. STEWART. I would like to ask Mr. Gaines if it is not his practice to inform the representative of the railroad company, when the representative asks him, as to what the approximate needs of the service are, based upon distribution, etc., in the apartment cars.

Mr. GAINES. Yes, sir. I believe due notice has been given to every railway company in the eleventh division of the needs of the service both in apartment and full R. P. O.

The CHAIRMAN. What do you construe to be due notice?

Mr. GAINES. We gave them a list of the lines.

The CHAIRMAN. I mean in time?

Mr. GAINES. There is no emergency about that, Mr. Chairman.

Mr. MCBRIDE. You do that periodically?

Mr. GAINES. No. I do not believe they have received any additional notice.

The CHAIRMAN. Have you had any criticism on the part of the railroads as to the shortness of notice given by the department?

Mr. GAINES. No, sir.

The CHAIRMAN. Mr. McBride, would you prefer not to be interrupted at all?

Mr. MCBRIDE. I have about finished. Mr. Stewart has something more to present. I might say in connection with the Kansas City-Pueblo case that the regular quadrennial weighing in the spring of 1910, subsequent to the November, 1909, ascertainment, showed a daily average weight of slightly over 10,000 pounds dispatched daily out of Kansas City on four trains on that route. That would be a little over a ton to a train.

The CHAIRMAN. That is the weighing for 1910?

Mr. MCBRIDE. Yes. It would be easy to take care of a ton of mail in a 30-foot car.

Mr. STEWART. That is the train they charged the mails with 60 feet of space clear through to Pueblo?

The CHAIRMAN. Under the 1909 ascertainment.

Mr. STEWART. Yes.

Mr. MCBRIDE. The railroads charged the mails with 240 feet of space a day in each direction, and but 120 feet were needed.

Mr. STEWART. How much would that aggregate?

Mr. MCBRIDE. The car-foot miles of the unnecessary space aggregated on this route 2,382,281 car-foot miles for the month of November.

Mr. STEWART. Mr. Chairman, we have carefully gone over these Missouri Pacific statistics, and we have made a computation based upon the theory of the Lloyd bill as to allowance of space, the theory of the Lorenz bill as to the allowance of space, and upon the departmental plan as to the allowance of space that should be paid for under the new law, and we have credited to the Missouri Pacific all the space that these theories would justify. For storage space we have taken one-half of the return movement, because we have no statistics as to what proportion of the storage cars are used by the companies on their return trip, and nothing has been presented by the railroad companies which would be any guide.

The CHAIRMAN. It is an arbitrary 50 per cent allowance of the return?

Mr. STEWART. Yes; of the return storage dead space. We have split this with the railroad companies and have charged the mail service with one-half. We have then ascertained the percentage of that to the total dead space in controversy, and find the percentage to be 18.32 per cent; we have applied that percentage to the total dead space on all the railroads in the country, which we have tabulated and charged in Document 105, and ascertained the effect of that, producing a new ratio for the mail service of 7.40 per cent instead of 7.18 per cent. We have ascertained the effect of that upon the 6.68 per cent, which is used as a ratio of cost and taxes for the mails to the total cost and taxes in the passenger service, and have applied that to our ascertainment of cost on pages 994, 995, and 996 of the record, where we have shown a profit to the railroads of $1,616,532; and these new figures, which we submit to the joint committee for consideration, produced instead of that surplus a surplus of $221,832 over all fair charges of cost against the department. We submit that for consideration in order to present to the committee every fair theory that we believe you should have before you; that is, the result of every fair theory. And these ascertainments of space, as I say, are in accordance with these theories which are now before you, and I do not see how anyone could claim anything more for the railroad companies. I should be glad, if the committee desire it, and if Dr. Lorenz wishes to do so, to have him go over these figures.

Dr. LORENZ. Might I ask a question in regard to these figures? Your 18 per cent, is that the average of the three or which one of the plans does that represent, your plan, my plan, or Mr. Lloyd's plan?

Mr. STEWART. It represents them all, because they are all practically the same on space. We have always given the maximum in each direction and have been liberal with the railroad companies.

Dr. LORENZ. I do not quite understand. In the case of Mr. Lloyd's method of authorization if you ask for a 20-foot apartment you would have to authorize a 30-foot car. Do I understand if you applied that all the way through that it would make a difference of only 18 per cent of the total, that it would charge you with only 18 per cent of the dead space?

Mr. STEWART. I will ask Mr. Bandel to answer that question.

Mr. BANDEL. We did not raise any question where there was a regular sized apartment operated different in length from those stated in Mr. Lloyd's plan. In this ascertainment we applied the principle that is announced by Mr. Lloyd and announced by yourself; that is, the maximum space in both directions. If we had raised them I doubt whether it would affect this computation 1 per cent.

Dr. LORENZ. I can state definitely it would affect it, for this reason: If you turn to volume 5 of the hearings you will find there that the estimate was made under Mr. Lloyd's plan of 22½ cents a car-mile.

The total payment made to the railroad companies would be $58,000,000. Divide 22½ cents into $58,000,000 and you get 260,000,000 car-miles of service, and if you divide that into your present mail pay you will get less than 20 cents a car-mile. Under those circumstances it seems to me this statement you have just made can not pos-

sibly be correct, Mr. Stewart. You could not apply Mr. Lloyd's plan and get only 18 per cent dead space charged to yourself.

Mr. MACK. It did not use the units of the Lloyd plan?

Mr. BANDEL. We applied the principles to the Missouri Pacific case and that is all. Then when we made the ascertainment for that we applied it to the conditions in the Missouri Pacific case, and the result was regarded as a difference in all cases. The specific thing we applied it to was the Missouri Pacific case.

Mr. MACK. What did you do with reference to the case that Dr. Lorenz cites?

Mr. BANDEL. As I say, we did not raise them.

Mr. MACK. You did not raise them?

Mr. BANDEL. No; we did not raise them?

Mr. MACK. Then your figures do not serve any purpose?

Mr. BANDEL. I said we followed the principle of Mr. Lloyd's plan.

Dr. LORENZ. How could you follow the principle if you do not charge 30 feet of space when you only need 20?

Mr. BANDEL. The principle of the full car run.

Mr. MACK. You are not using the Lloyd units at all?

Mr. BANDEL. We did not intend to use units. We used the unit furnished by the company at that time.

Mr. LLOYD. Dr. Lorenz, as I understand it, General Stewart refers to the idea that I advanced that we ought to pay for the full car run. While a car might run over several routes, it would be a full car run, such as given in the illustration of running to the Mexican border, if they used a full 60-foot car run to the Mexican border they must use it all the way round.

Dr. LORENZ. But I understand that is not to recede in any way from the position General Stewart has occupied with regard to dead space in general?

Mr. LLOYD. Oh, no.

Dr. LORENZ. Since the department insists on taking this position, I would like to ask Gen. Stewart if he could operate the Missouri Pacific and furnish the space the department has asked for in various length apartments and not have any of this dead space, so called, left over, or whether any officer, the most efficient operating officer in the United States, could operate the Missouri Pacific and not have any dead space left over?

Mr. STEWART. That would be pretty difficult to answer offhand. If you apply it to a specific case, like that from Kansas City to Pueblo, such as you were discussing when we came in, I should say yes.

Dr. LORENZ. I will admit there are individual cases, but I said where there is none of the dead space.

Mr. STEWART. I would not be able to say that it could be done.

Mr. LLOYD. I think you are slightly mistaken as to what he was discussing when you came in. Dr. Lorenz was discussing the general proposition of the difference between your method of accounting and the railroads' method of accounting and the percentage of the difference between you and them. It is the general proposition he was discussing.

Mr. STEWART. I only referred to the specific case I heard when I came in.

Mr. BRADLEY. Mr. Chairman, I would like to call attention again to the comparison I submitted a few minutes ago as to whether the Missouri Pacific case is typical in all respects or not.

The CHAIRMAN. You already have that in the record?

Mr. BRADLEY. I want to give it this application, that in the computation made on the railroad side regarding the amount of storage-car space thrown out by the department we reached a total of about 50,000,000 car-foot miles.

The CHAIRMAN. For the whole service?

Mr. BRADLEY. In comparison with the total for all classes of service, of 211,000,000, a very large proportion, while on the Missouri Pacific there is a very small proportion of that class of service, only 1.3 per cent. It would be like comparing two cases as typical where one contained 1.3 per cent of an important element and the other contained 25 per cent of an important element.

Mr. MACK. But there is no concession that any of this space was not furnished in connection with the mail service. The different reports show different proportions of the different classifications, but Mr. Bradley's remark I do not interpret to mean that there is any dead space that was classified by the company as in use for mail service that was not in such use.

Mr. BRADLEY. Undoubtedly. For instance, for the Pennsylvania Railroad System for the month of November, 1909, the department used 11,523,000 car-foot miles of space in storage-car service, and the company contends that every bit of that service was in the return movement of storage cars and was inevitable because of the mail movement in the outward direction and that none of that space was used for any other traffic or for the company's purpose.

Mr. WORTHINGTON. I think the department concedes that point in admitting that pay should include return space under their proposed bill and it is a legitimate charge against the mail service in computing the estimated cost.

Mr. STEWART. No; we did not; and there is no such admission in effect, because under the operation of the proposed bill we shall use the return cars as far as practicable for some purpose if the company does not use them, but if neither the company nor the department make use of them for a specific purpose, the suggested plan proposes to pay for the return movement.

The CHAIRMAN. In this case just referred to of the Pennsylvania Railroad, by Mr. Bradley, I would like to ask Gen. Stewart if he allowed 50 per cent of the 11,000,000 car-foot miles in this recent computation that you have just made?

Mr. STEWART. We did not have Mr. Bradley's statement before us. We were figuring on the Missouri Pacific data only.

The CHAIRMAN. I think there was a difference of 11,000,000 car-foot miles in dispute between the department and the Pennsylvania Railroad under Document 105.

Mr. BRADLEY. That is right.

The CHAIRMAN. Now, I want to find out whether, in this computation you made this morning and this information submitted, why you made a 50 per cent allowance, which you said was general, and splitting with the railroads and the department, and I want to ask if that was made in this specific case of 11,000,000 car-foot miles.

Mr. STEWART. I can not say exactly that because we have only the statistics as a whole, and Mr. Bradley calls attention to the fact that the percentage of storage cars will differ on different lines. In order to make an exact apportionment we would have to segregate the space on each system.

Mr. BRADLEY. That brings out the very point that I wanted to set forth emphatically—that while there might be compromises in regard to the differing interpretations of some of the minor features of car space, I do not think that this is a case where there could be any compromise, but that 100 per cent of this space would have to be allowed as an operating necessity just as it is conceded, in principle at least, in the proposed new bill.

Mr. LLOYD. But there might be some place in a computation where 100 per cent dead space might be disallowed?

Mr. BRADLEY. Possibly.

Mr. LLOYD. His computation is on the theory now that supposing the commission, when they came to adjust the matter, not being able to reach a definite and concrete conclusion with reference to the matter, do conclude that neither the railroad companies are right or the Government is right in its figures and they make something of a compromise between the two as a matter of judgment and fix it at 50 per cent, and this is an estimate on that 50 per cent, as I understand it.

Mr. BRADLEY. I desire to ask the question also, whether in the computation which the department submits this morning, as applied to the entire railway mail service of the whole country, an allowance was made as between the Missouri Pacific example and the percentages of allotment of space for the rest of the country in order to account for the differences which I have set forth in explaining that the Missouri Pacific case is not typical in all respects. Of course the final result arrived at, of $200,000, would absolutely depend upon a fair allowance for those differences.

Mr. MACK. That is the proportion.

The CHAIRMAN. To my mind, Gen. Stewart, there is still a decided discrepancy between the conclusions arrived at by the department and by Dr. Lorenz. We will say under this computation, with an allowance of 50 per cent of the dead space in dispute between the department and the railroads, that you still show an overpayment by the Government of $200,000. For what year would that be?

Mr. STEWART. That was for 1910.

The CHAIRMAN. As I understand Dr. Lorenz's impression or deduction, it is that the railroads were underpaid about $5,000,000 for that year. Now, if 50 per cent of all the space in dispute is allowed, and it only makes a difference of $1,600,000, I can not follow it?

Dr. LORENZ. There is no real dispute or discrepancy. Gen. Stewart did not allow 50 per cent of the dead space. He debited himself with only a small portion of the dead space, which was only 18 per cent in his last computation, as I understand it.

The CHAIRMAN. I thought you said 50 per cent of the space in dispute?

Mr. STEWART. Only 50 per cent of the return storage-car dead space.

Mr. MACK. Which is a very small item in this particular instance. Will Gen. Stewart tell me how many additional car-foot miles he allowed the Missouri Pacific under his new calculation. We are at a disadvantage in not having his figures.

Mr. STEWART. 1,793,706.

Mr. MACK. On the full railway post-office car statement alone, with reference to other cars, I showed that our report was correct in reporting three million and some odd thousand full railway post-office car-foot miles alone between St. Louis and Texas and St. Louis and Kansas City. The apartment-car space is probably very close to another amount of the same kind. Then the 30-foot deadhead space in the cars where we are required to furnish 30 feet of space is about another third of the total. So that the department's modification is far from complete.

Mr. LLOYD. Gen. Stewart, do you aim to submit a report of the tables, or are you just submitting the results?

Mr. STEWART. I am submitting the results, but I can submit the detailed ascertainment.

The CHAIRMAN. I would rather have the detailed statement, and then we can reach a better judgment as to whether your deductions are proper.

Mr. STEWART. I would be glad to put that into the record.

Mr. MACK. I would be glad to see that before it goes into the record or to know what it is, because it may call for some reply. After the record is closed on this question we have no further opportunity to question the figures.

The CHAIRMAN. The record has to be closed some time. There is no snap judgment that has been taken on the part of anyone so far as the commission is concerned, but we have to come to an end pretty soon.

Mr. MACK. I appreciate that.

The CHAIRMAN. How long would it take to prepare that?

Mr. STEWART. Possibly a day or two.

The following statement will show process followed:

The tables of railway post-office car space, on pages 1296, 1297, and 1298 of volume 11, were analyzed and the number of linear feet of storage space outbound as charged by the department to the mail service was ascertained. The car-foot miles of this outbound storage space was then computed and an additional charge of one-half of the car-foot miles of the storage space was made against the mail service. By this method the mail service participated in one-half of the return movement of the storage cars. On the Missouri Pacific Line these storage cars are merely baggage cars equipped in some cases with portable stanchions and are used interchangeably for baggage, mail, and express, and the department believes that charging the mail service with 50 per cent of the return movement is liberal. The car-foot miles represented by this total 948,380. In the same volume and on the same pages appear errors of the department in charging to dead space certain car miles of railway post-office cars. These total approximately 726,326 car-foot miles.

We examined carefully each of the specific cases of dead space in connection with apartment-car service furnished set forth in Appendix "A" of volume 11, and where we found any case in which, on the principle of the Lloyd, Lorenz, or departmental plan, the company would be credited with such dead space an allowance was made for it. In the apartment service these cases were few, and it was determined that the percentage of dead space that might have been credited to the mails for this class of service would not exceed 2 per cent of the total dead space in apartment-car service. This 2 per cent of apartment-car dead space equalled 119,000 car-foot miles.

The sum of these several items is 1,793,706 car-foot miles and represents the car-foot miles which would be charged to the mail service on the theory of the

several suggested plans referred to and the correction of errors by the department. The total car-foot miles of apartment, railway post office, and storage space tabulated by the department as dead space in its original computations was 9,792,644.05; 1,793,706 car-foot miles is approximately 18.32 per cent of the total car-foot miles of dead space as used in the department's computation.

Mr. MACK. They are questions of fact and questions of policy. So far as the company is concerned, there has been no question raised by the department, so far as I know of, as to any figure, as to its correctness, but it is the failure of the department to recognize some space which we reported as in use directly in connection with the service. I would like to have that made clear.

Mr. MCBRIDE. There were some slight inaccuracies, but they were not material.

The CHAIRMAN. The difference is one purely of rule, is it not?

Mr. MCBRIDE. Yes.

Mr. WORTHINGTON. The railway mail pay committee, on page 1074, showed that the department's statement on page 996, revised by using the Post Office Department's percentage for passenger-train expenses, 29.21, with the railroad percentage for mail-car space, 9.32, produces a deficit below the apportioned cost of $17,229,000 instead of a surplus of $1,616,000. Now, if one-half of the difference between the railroads and the department as to space were allowed, the result would be midway between those two figures. In other words, in place of $1,616,000 surplus there would be a deficit of $7,800,000, therefore, adopting a principle of splitting the difference as to space between the railroads and the department, there would still be a deficit shown of $7,800,000, and that on the department's apportionment of expenses.

Mr. STEWART. We would not be willing to split the difference with the railroads on that.

Mr. LLOYD. Suppose we allow Gen. Stewart to complete his statement.

Mr. STEWART. I wish now, if I may be permitted, to supplement our statement by calling attention to some special features which have not been particularly developed, and to refer again to what I have dwelt upon from time to time in a general way—that is, the extremely liberal plan the department followed in making its apportionment of costs to the mail service. I have previously called attention to certain items of general expense, investment, capitalization, etc., in which the mails participated to the full extent of 6.68 per cent, just the same as in the items in which the participation was proper, upon a car-foot-mile basis, and have suggested that if time and opportunity permitted further inquiry into this question, I am perfectly satisfied that it could be shown that the application of that percentage to the items first named is too strict against the mail service and too liberal to the railroads in an ascertainment of cost. I have some figures here with special reference to the cost of car equipment, which I want to submit along that line. They have a bearing upon the question.

A comparison may be made based on value of equipment between the mail service and the passenger service (proper) in passenger trains for all roads in the United States, on information from the statement No. 21, entitled "Classification of Cars in the Service on June 30, 1911," from the Interstate Commerce Commission Statistics of 1911, page 25.

The statement in question shows 20,518 first-class passengers cars, 5,363 second-class cars, and 2,171 emigrant, dining, parlor, sleeping cars, etc., 5,679 combination cars, and 11,524 baggage, express, and postal cars in service for the fiscal year 1910. By reference to the annual report of the Second Assistant Postmaster General for the fiscal year ended June 30, 1910, page 35, it is found that there were in the service on June 30 of that year 1,320 full railway post-office cars and 3,767 apartment cars. Deducting the number of apartment cars and full railway post-office cars from the combination cars and the baggage, express, and postal cars leaves a balance of 1,930 combination cars which do not contain mail and 10,204 baggage and express cars other than full mail cars. The proportion of the latter amount embracing baggage cars which may be used in the mail service is not known.

It is ascertained by reference to the "outline of testimony of W. C. Wishart" in the case before the Interstate Commerce Commission for a general advance in freight rates in official classification territory (I. and S. Docket 333, p. 5) that in 1903 passenger cars cost $10,860, and to-day cost $17,050; the new ones, he says, are steel, but carry no more passengers. Estimating the cost of the passenger car in 1910 as approximately $11,000, and the cost of the mail car, as reported to the department in November, 1909, as approximately $7,000, we find that the amount of equipment above tabulated may be estimated in value as follows: Twenty thousand five hundred and eighteen first-class passenger cars at $11,000, $225,698,000; adding to this amount the second-class and the other passenger cars (proper) results in a total estimated cost of approximately $308,572,000. The cost of 1,320 full railway post-office cars at an average construction value per car of $7,000 would be $9,240,000, or 4.09 per cent of the value of first-class passenger cars and 2.99 per cent of the value of all passenger cars (proper). But the proportion of the car space which was chargeable to the mails on the space basis of ascertainment of November, 1909, was 7.18 per cent (Table 3, Document 105), and if comparison is made with the passenger space (proper) for November, would be stated as 8.73 per cent. It is thus seen that a much larger proportion of the actual cost of the passenger train is included in the mail per cent of cost, namely, 6.68 per cent, representing the proportion of operating expenses and taxes to total operating expenses and taxes, than is justified by the relative equipment values.

Reports of railroad companies to the department for November, 1909, showing the cost of construction of mail cars give results which have been tabulated as follows:

| | |
|---|---|
| Total number of full cars | 1,312 |
| 40 to 50 feet | 127 |
| 50 to 60 feet | 231 |
| Over 60 feet | 954 |

| | Total amount. | Amount per car. |
|---|---|---|
| Total cost of construction, all full cars | $8,100,067.60 | $6,174 |
| Total approximate value November, 1909, all full cars | 7,214,029.22 | 5,498 |

The highest estimate for November, 1909, was made by the Pennsylvania Railroad Co., which shows the average cost of constructing a 60 to 70 foot car as $12,979.48 and the value of same as $12,894.13. On April 30, 1913, this company reported that for the Pennsylvania system the steel cars in service cost $12,000 and the 60-foot steel car approved by the department cost $11,000. The average cost for a 60-foot steel car is shown to be $10,675. (Hearings, p. 951.)

Corresponding data showing the total passenger cars in service for the fiscal year ended June 30, 1913, is not available; therefore a comparison for all roads can not be made on the basis of cost of $17,050 for a passenger car at the present time, as stated by Mr. Wishart. There is given, however, in the statements of the 14 railroad companies to the joint committee showing cost of construction and cost of maintenance as of April, 1913, the estimated cost of a mail car 60 feet in length built of steel, which is shown to be approximately $11,500. (Hearings, p. 951.) The cost of the passenger car in 1903 was stated to be approximately $10,860, and to-day costs $17,050. The average mail car cost in 1909 approximately $6,000 and the 60 or 70 foot mail car approximately $8,000, and in 1913 is shown by the statement referred to as costing $11,500.

To show the relation in cost of construction at the present time of the several classes of service there may be taken for the purposes of illustration 10 passenger-train cars at the minimum cost of construction, which, it will be assumed, compose two trains, as follows: One 60-foot full railway post-office mail car costing $11,500, one 70-foot express car costing $8,500 (Pennsylvania Railroad shows storage cars cost in November, 1909, $7,900), one 70-foot baggage car costing $8,500, and seven 70-foot passenger coaches costing $17,000 each.

A tabulation of the resulting space and cost of construction and the percentage of each class of service to the total follows:

| | Feet of car space. | Per cent of space. | Total cost of space run. | Per cent of total cost. |
|---|---|---|---|---|
| Mail | 60 | 8.695 | $11,500 | 7.796 |
| Express | 70 | 10.145 | 8,500 | 5.762 |
| Baggage | 70 | 10.145 | 8,500 | 5.762 |
| Passenger | 490 | 71.015 | 119,000 | 80.680 |
| Total | 690 | 100.000 | 147,500 | 100.000 |

It is thus seen that a division of cost of construction on basis of train space is unfavorable to the mail service both as to the full cars and as to the baggage and mail-storage cars. The percentages above shown indicate that the space percentage charged to mail should be reduced on a basis of train cost of construction by 10.33 per cent, and that the storage and baggage-mail space should be reduced 43.19 per cent under the proportion charged to the mails on the basis used—that is, the per cent of operating expenses and taxes.

Mr. LLOYD. In that connection, you figure that on 7 passenger coaches and 3 cars, making 10 in a train. Is not that ordinarily too long?

Mr. STEWART. Yes. It is not supposed to represent an actual train, but the table has been prepared to show the relative passenger space in a train to 60 feet of mail-car space.

Mr. LLOYD. Do you not have 60 feet of mail space where you would only have three or four coaches?

Mr. STEWART. I doubt that very much. If we have a 60-foot R. P. O. car, I presume it would be in a longer train than that.

Dr. LORENZ. The average length of the passenger train is between five and six coaches.

Mr. WORTHINGTON. The average passenger train in the United States has five cars, which includes mail, coaches, and a very important element which Gen. Stewart leaves out altogether, sleeping cars, which are paid for by the sleeping-car companies and maintained by them, although Gen. Stewart puts those cars in the space and omits entire consideration of the value of the car for which the railroads pay nothing.

Senator WEEKS. Speaking of the cost of the car, is not a large proportion of cost of the cars employed in the mail service still greater than any other class?

Mr. MACK. I do not think there is any doubt of that.

Senator WEEKS. We have made requirements that, I should think, would compel the railroads to furnish steel cars for other services.

Mr. STEWART. They are obliged by law to convert all wooden cars into steel, excepting those which have steel underframes, by July 1, 1917, at the rate of 25 per cent a year.

Senator WEEKS. Is it not doubtful whether any other railroad has done as much with reference to other classes of cars as the Pennsylvania?

Mr. STEWART. I think there is a greater proportion of steel mail cars than there is of steel passenger cars.

Senator WEEKS. Then those figures would have to be modified to that extent.

Mr. STEWART. No. We have taken the average value on the mail car as $11,500, which will buy a steel car.

Senator WEEKS. A steel mail car?

Mr. STEWART. Yes.

Dr. LORENZ. Would not the fact that nearly half of the mail apartment car space be of consideration here? Of course, wherever you have apartment-car space the cost of construction per foot must be the same for mail as any other service.

Mr. STEWART. Yes.

Dr. LORENZ. You have taken the R. P. O. as the standard.

Mr. STEWART. In this ideal train I have taken the R. P. O. car.

Mr. LLOYD. The only point I had to inquire about was whether the seven coaches would be the proper proportion of passenger coaches that went with a single mail car. It struck me that that was somewhat large, although you may be right.

Mr. STEWART. The point I desire to bring out in these statistics is to show that when we participated in the cost of car equipment as a whole, on a basis of mail car-foot miles, we exceeded the proper charge by at least 2 per cent.

The CHAIRMAN. What per cent did you allow?

Mr. STEWART. Six and sixty-eight one-hundredths.

The CHAIRMAN. You say it should have been 4.09?

Mr. STEWART. We participated in the cost of property in paying 4.53 per cent on capitalization, you might say. We participated to

that extent in the total cost of this passenger equipment, as well as the mail equipment. Then we applied our 6.68 per cent, the mail ratio of expense and taxes, to all expenses and taxes, which, you see, is much higher than these figures of 4.09 or 2.99.

Mr. LLOYD. If you change that ideal train from seven passenger coaches to six, what effect would it have upon your computation?

Mr. STEWART. That would not have any effect if you had the same proportion of space to the several services. We simply took a full passenger train to get the full car.

Mr. LLOYD. Suppose you used a 60-foot mail car in the ideal train and only have six passenger coaches, making the ideal train, which it seems to me is more nearly accurate than seven; but I may be wrong. If that were done, what effect would it have upon your computation?

Mr. STEWART. If the proper proportion of space were maintained, I do not think it would make any difference, because it all resolves itself into cost per foot. I would like to state the effect of that; as I have indicated here on our general figures I think it would make a difference of about $453,000, which I think the department is entitled to have credit for.

The CHAIRMAN. Right in that connection, I infer from your statement that you thought that your 6.68 per cent was 2 per cent too high, namely, that you would reduce the 6.68 to 4.09. My understanding is that the 6.68 is not made up of cost of equipment, that is only one element upon which your 6.68 per cent has a bearing. Is that true?

Mr. STEWART. Yes. The 6.68 represents the ratio of the proportionate operating cost of the mail service, plus the taxes, to the total passenger-service cost and taxes.

The CHAIRMAN. Then the 2 per cent excess liberal allowance that you made applies simply to the factor of the cost of equipment, which is one of the factors on which you made up your 6.68 per cent of apportionment. Is that it?

Mr. STEWART. You have the right idea, but you have not applied it correctly. The 6.68 per cent is not changed in its general application, but when applied to overhead charges and to investment, where we say, for instance, our proportion here of the overhead charges and get $11,700,000, it affects that.

The CHAIRMAN. And that is only in the computation?

Mr. STEWART. Yes; I think that is about the only item.

The CHAIRMAN. Therefore, in dollars, you think it would make a difference of about $453,000?

Mr. STEWART. Yes.

Mr. LLOYD. I do not think we need any additional statement on that.

Mr. BRADLEY. But is that a correct percentage to apply to the capital cost? Our understanding was the department applied 6.68 per cent of 29.21 per cent, or a little less than 2 per cent (1.95 per cent). That the 6.68 per cent was applied to operating expenses and taxes, but when you came to make an application to the capital cost it was 6.68 of 29.21, or 1.95 per cent.

Mr. STEWART. The 29.21 does not enter here at all, because this is all passenger.

Mr. WORTHINGTON. Mr. Chairman, I think the railroad people ought to know something about the cost of equipment. As to passenger cars, Gen. Stewart has compared a 60-foot mail car with a 70-foot passenger coach. The latter requires a six-wheel truck and is much more expensive than the average passenger coach. We do not build our coaches longer than 60 feet. Our 60-foot coach does not cost us much more than the railway mail cars, and, on the other hand, our baggage and express cars cost materially less, so if you set against the mail car the average of our other passenger cars, the cost of the mail car is higher and not lower, and it is entirely unfair to draw a deduction from figures which do not apply to the average situation. In place of decreasing the percentage General Stewart ought to increase it. In this conclusion we have not considered the fact that the Pullman and parlor cars are furnished by the Pullman company and do not cost the railroads anything for construction or maintenance, although they are included in the passenger car mileage and charged against the passenger service.

Mr. STEWART. Mr. Worthington has overlooked the fact that I have taken the figures furnished by the railroads in 1909 as the basis of the cost of those cars.

Mr. WORTHINGTON. What railroad companies?

Mr. STEWART. All railroad companies reporting.

Mr. WORTHINGTON. As to passenger coaches?

Mr. STEWART. No; as to mail cars.

Mr. WORTHINGTON. The mail-car figures show——

Mr. STEWART. For cost of passenger coaches we rely on Mr. Wishart, who has submitted data to the Interstate Commerce Commission.

Mr. WORTHINGTON. You yourself say it refers to a 70-foot coach.

Mr. STEWART. Yes.

Mr. WORTHINGTON. We do not build 70-foot coaches, because they are too expensive in proportion to the carrying capacity.

The CHAIRMAN. Mr. Wishart's figures are applicable only to the New York Central, as I understand.

Mr. WORTHINGTON. Our standard coach is 60 feet, and I think that is the general size throughout the United States.

Mr. PRENTISS. I have the statement of the Southern Pacific Railroad Co. of the cost of construction of 60-foot railway post-office cars, and the amount is $9,361 for cars in service and $9,650 for the new department plan of 60-foot steel railway post-office cars. This new-plan cost of $11,500 which we state here includes the Pennsylvania Railroad plan and represents a higher cost than the average. Recognizing that Mr. Wishart's statement of cost was probably maximum, I took the maximum cost of the 60-foot railway post-office car.

Mr. ROWAN. I would like to say the New York Central paid over $12,000 for the last mail cars they built.

The CHAIRMAN. Postal cars?

Mr. ROWAN. Yes, sir. We would be glad to buy some for $11,000.

Mr. STEWART. Do you think $11,500 is out of the way for an average? In this connection, it may be said that the New York Central Railroad reported the average cost of construction of steel postal cars in service in April, 1913, as $10,900, and for the new 60-foot department plan steel cars as $11,655.

Mr. ROWAN. I am not talking about an average. Mr. Prentiss said he took the maximum, and I am telling you what we paid on the New York Central.

Mr. STEWART. Now, Mr. Chairman, if I may continue, in closing allow me to call attention to this fact which I have been emphasizing this morning, and I read from page 997 of the record:

Attention is further called to the fact that the above apportionment of expenses (other than operating expenses) chargeable to operating revenues is made to the mail service on the basis of 6.68 per cent of the passenger apportionment. Such a plan of apportionment makes the mail service participate in this ratio in all the passenger operating expenses included in the above account in addition to dividends.

The above account refers to the specific account set out on the previous pages where we participate in the same ratio in all the investments of the railroad companies.

When it is remembered that these items cover the whole field of operating expenses chargeable to operating revenues for the maintenance and operation of the railroads, as well as interest on bonded indebtedness and dividends on capital invested in expensive terminal stations in large cities, it becomes evident that this charge against the mail service is too large.

I will read from Mr. Samuel O. Dunn on "Government ownership of railroads," with special reference to these large terminals:

A very great proportion of the physical value of the railways is concentrated in their terminals in large cities. These are often constructed with special consideration to the convenience of passenger traffic and expressing architectural beauty. The Pennsylvania Terminal in New York City cost $115,000,000; the Grand Central Terminal (New York), $150,000,000; the Washington Terminal, $20,000,000; the Northwestern Terminal at Chicago, $24,000,000; the Union Station at Kansas City, $40,000,000.

The portion of the paragraph on page 907 continues:

It is impossible to say from data at hand how much it is in excess of a fair charge. The charge against the mail service on these accounts should not be greater than the fair value of the use of the property represented by them and which is employed in connection with the mail service. Neither the railroads nor the department have this information, but it is evident that it must be much smaller than the sum used in the above apportionment.

Now, apply that to the entire country, and just bear in mind the charge against the mail service which the present apportionment makes. As to cost, I would further call attention to what we have submitted in connection with the express service. I said on yesterday that I was not prepared to make a recommendation that the particular rates we suggested be reduced, but I do urge upon the committee the careful consideration of a comparison between the mail and the express service and the legitimate and fair results which my showing is entitled to in the consideration of railway mail pay. When it is shown that if we paid the railroad companies for mail service on approximately the same basis as express service, the amount would have been $39,000,000 in 1913 instead of $51,000,000, I think that fact alone is the most potent single one that has been developed in this inquiry. I have said, however, because I want to be absolutely fair from all points of view, that there are differences between the two services, and those differences should be accounted for and carefully appraised in the consideration of these express statistics. I have myself tried to locate those differences and get a fair appraisal of them. The best that I could do was to submit an appraisal here of

approximately $1,000,000. The railroad companies have not submitted anything upon that point, and I rather expected that they would. There is this to be further considered. I pointed out in my statement that the mail service as a whole is not altogether like the express service; it transports letters and intelligence and other classes of mail, while the express service handles practically merchandise only, and in considering the effect of the difference between these two gross rates I think a fair consideration should be given to that, and, of course, that is favorable to the railroad companies.

The CHAIRMAN. If it will not break the trend of your thought, you say there was $1,000,000 difference. You say, as I understand, that the application of the express rates, as submitted by you, to mail would have returned to the railroads for railway mail pay $39,000,000, instead of $51,000,000?

Mr. STEWART. Under the present express rates.

The CHAIRMAN. That is, the rates that have been recently put into operation by the Interstate Commerce Commission?

Mr. STEWART. Yes, sir.

The CHAIRMAN. Then, am I to understand you would add $1,000,000 to $39,000,000 and pay to the railroads $40,000,000, instead of $51,000,000? Is that your conclusion?

Mr. STEWART. No. I think the conclusion will have to be made by the joint committee.

The CHAIRMAN. I understand that perfectly well, so far as the report of the joint committee is concerned, but I am asking for your individual deduction. I understand you to say there was a difference of a million dollars, according to the figures submitted by you day before yesterday, also in the evidence just submitted you have stated that the railroads would have received $39,000,000 instead of $51,000,000 that they are receiving to-day, and I want to know where that million dollars comes in.

Mr. STEWART. The million dollars that I mentioned is the best information as to the value of those particular differences between the two services that I could locate, and I submitted the statement in detail in the record.

The CHAIRMAN. But what do you do with that million dollars.

Mr. STEWART. That would be added to the $39,000,000.

The CHAIRMAN. So that the railway mail pay, in your opinion, from an express basis, and the allowance you have made for the difference between the two services, should be $40,000,000 to the railroad companies instead of $51,000,000 that we are paying them now?

Mr. STEWART. That would be the comparison. That is not what I said the railroads should be paid. I, at no time have said the railroads should be paid only what they receive from the express companies for handling the express business.

The CHAIRMAN. I understand you to say that the railroad companies, if they received the same compensation from the Government that they received from the express business, they would get $39,000,000 on the present volume of business instead of $51,000,000 that they receive to-day?

Mr. STEWART. That is right.

The CHAIRMAN. And you take into consideration the differences of the two services and add $1,000,000 to the railway mail pay over

what the railroads receive from the express pay, and that would make $40,000,000. The natural conclusion, in my mind, from those statements, would be that you conclude that the railroads should receive $40,000,000 instead of $51,000,000 which they receive to-day for railway mail pay. I wanted to elucidate and see whether I caught your conclusion?

Mr. STEWART. Your deduction is right so far as the figures are concerned for a comparison between the two different rates. At no time have I said I think you ought to reduce the railway mail pay to that extent.

Dr. LORENZ. May I ask whether the comparison shows $39,000,000, according to Mr. Stewart's testimony a few days ago? I do not wish to always be in the position of combating Mr. Stewart's position, but a few days ago the department showed the average rate for the express-car mile was twenty-one and a fraction cents. Mr. Stewart has shown that of the total car miles of mail it is 225,000,000 car miles, and multiplying that by 21 you get over 47,000,000, and I do not see how he gets $39,000,000?

Mr. STEWART. The $39,000,000 is the express payment under the new rates. I will give you the other figure. It is $46,494,978.58.

Dr. LORENZ. That should be made clear, that the $39,000,000 is under the new rates, and the $47,000,000 under the old rates.

Mr. PETERS. All the rates are under the illustration he made of a rate per hundred pounds?

Mr. STEWART. No. That is confusing the two methods of comparison. The figures that I have just given are based upon the entire service, a comparison of revenue the railroads receive from express and from mail as a whole, set forth on pages 1278 and 1279 of the hearings.

The CHAIRMAN. Under the relative presentation that you have made as to the difference between actual railway-mail pay and express pay, under the new rate put into operation by the Interstate Commerce Commission, what conclusion have you come to in your own mind, if any, as to the difference between railway-mail pay and express pay that the Government should pay for railway-mail pay or how much weight should you give in your determination to the railway-mail pay regarding the express pay?

Mr. STEWART. I would give this weight to it, that I would not increase the rates which we have suggested here.

Mr. LLOYD. In that connection have you ascertained definitely, to your own satisfaction, whether the proposed rates under the new space plan which you suggest will add to or take from the amount of pay that is received by the railroad companies for carrying the mails?

Mr. STEWART. We have made an estimate for 1913 which would indicate that the application of the proposed rates would make a reduction in the pay for 1913 of something over $2,000,000. I do not remember the exact figures.

Mr. PETERS. Do I not understand, General Stewart, that after your final deduction this morning, after allowing one-half of the dead space, that on the basis of the cost of service that was ascertained in 1909, that for the service as performed the following year, the overpayment to the railroad companies, in your opinion, was about $206,000? Is not that the figure you read this morning?

Mr. STEWART. A little over that—$221,832.

Mr. PETERS. Now, to apply your new basis, on the basis of increased service performed in 1913, would you make a reduction of about $2,000,000 in the pay, under your basis for 1913, with the parcel post added, and everything else? Would you make a reduction in pay for 1913 amounting to about $2,000,000?

Mr. LLOYD. That would be the effect of his bill?

Mr. WORTHINGTON. General Stewart said allowing 18 per cent of the dead space.

Mr. LLOYD. No. That 18 per cent was based upon the existing law. It was not based on the proposed law at all.

Mr. PETERS. The percentage of the figures is material. General Stewart's conclusion this morning was, after making an allowance for dead space, and so on, that his idea of a reasonable amount for overhead charges would come down to a point in 1909, when the investigation was made, that we were actually overpaid about $221,000?

Mr. LLOYD. Under the proposed law there would be a reduction of $2,000,000.

Mr. PETERS. Not on that basis, though.

Mr. STEWART. I presume that Mr. Peters is intending to bring out the fact that if you go on the basis of the space in 1913 we might have more space to account for than in 1909.

Mr. LLOYD. But if you do you get paid for it?

Mr. MACK. I would like to call attention to the $2,000,000 figures again, that the effect of these rates between St. Louis and Texarkana, on the Iron Mountain road, would be a reduction of pay of nearly 40 per cent; and on the Denver & Rio Grande Railroad a reduction of 40 per cent. We can not enter a protest too earnestly against such a reduction.

Mr. STEWART. We have not checked those figures.

Mr. MACK. Those figures are substantially correct.

Mr. STEWART. Of course, under any system, you will not find it working the same on every road. But the plan to pay on space will pay for the service rendered.

Mr. LLOYD. Mr. Chairman, I am anxious to find out what road will get that 40 per cent. He is going to lose 40 per cent, and who will get it?

Mr. STEWART. If he loses it, the company that performs frequent service will gain. That is one of the great advantages of the proposed bill. It pays for every service we will get, and there is a certain class of roads that run frequent service, which are now paid only on a basis of weight, that will get considerable more on a space basis, because frequency of service is a very potent factor.

Mr. PETERS. On the basis of frequency you work out the matter for the Long Island Railroad Co. and you show that we would get about $4,000 more per year for carrying the mail than was ascertained on the weight basis on the weighing of 1913, and that you would relieve us of messenger and terminal service of about $12,000 a year or that we might get an increase of $16,000. I think on the basis of frequency of service we are entitled to at least double the pay that we are getting now. We are handling mails on so many trains through different parts of that thickly settled suburb of New York. The frequency of service on the most frequently served routes would make a reduction.

Mr. MACK. On the Denver & Rio Grande Railroad a reduction of 40 per cent would seem to me to be a very serious injustice to a line operating in a mountainous region, with much service on narrow-gauge trains, and I do not think that there is any justification in Document 105. The proposition in that document would only have made a reduction of half that amount.

Mr. WORTHINGTON. The present basis is much fairer for the western roads where the operating costs are high. While it is true there is less frequency of service, there is a higher cost per train-mile for operating expenses, and I think Dr. Lorenz will bear me out that where frequency of service is less, the expense is higher per train-mile.

Dr. LORENZ. Generally speaking; but I think the separations of the service, for example, on the Santa Fe and on the Burlington, show a lower operating expense per car mile than for the country as a whole.

Mr. WORTHINGTON. I spoke yesterday for the Southern Pacific and showed what a great injustice the proposed rate would be on our line, and I think we are justified in protesting vigorously against it. It would simply allow us less money per car mile than Gen. Stewart shows it costs us, according to his own basis of apportionment, for operating expenses and taxes.

Mr. LLOYD. What do you get out there for the passenger service?

Mr. WORTHINGTON. About 2 cents per passenger mile.

Mr. LLOYD. In that mountainous region?

Mr. WORTHINGTON. Two cents, including our suburban service. We get 3 and 4 cents a mile for local travel.

Dr. LORENZ. I would like to ask Mr. Worthington what the operating ratio on his road is?

Mr. WORTHINGTON. The operating ratio has nothing to do with it. That is lowered because of freight service. Freight trains are heavy. Our freight rates average about a cent a ton-mile, which is higher than the average for all traffic throughout the United States.

Dr. LORENZ. Suppose you make this assumption, that your freight and passenger business are equally profitable; this will show that you had an operating expense of probably 15 or 16 cents per car-mile. Now, you will say your passenger service is not as profitable as the freight, but it seems to me that if you make that assumption you must assume that the freight department is unusually profitable.

Mr. WORTHINGTON. You just mentioned our operating expense of 16 cents a car mile. Gen. Stewart's figures showed 22 cents a car mile.

Dr. LORENZ. Gen. Stewart could only take the report which your company made and apply certain principles to it, and inasmuch as your company does not make a current separation of freight and passenger we can not attach any significance to the results.

Mr. WORTHINGTON. Gen. Stewart applied the same rule of apportionment to all roads in the United States.

Dr. LORENZ. You do not make a current separation?

Mr. WORTHINGTON. We keep our accounts in the same manner as all railroads—in accordance with the requirements of the Interstate Commerce Commission.

Dr. LORENZ. Yes; but you do not make a separation of freight and passenger expenses assignable. Half of the operating roads do.

Mr. WORTHINGTON. Half of the roads of the United States separate expenses between passenger and freight?

Dr. LORENZ. Yes, sir.

Mr. WORTHINGTON. I did not know that. That is news to me.

Dr. LORENZ. That is the result of tabulation of sworn reports of companies for 1912.

Mr. WORTHINGTON. However, our figures were reported to the department in accordance with their requirement, and the basis of apportionment to passenger service was the same as applied to any other road.

Dr. LORENZ. As to the alleged exceptional cost on the Southern Pacific, I think you keep currently your cost for freight and passenger separately on three important transportation costs—locomotive enginemen, fuel, and trainmen. Your cost for those items per car-mile is actually lower than for the country as a whole, although a little bit higher than the Santa Fe?

Mr. WORTHINGTON. Do you say that our cost of train service is lower?

Dr. LORENZ. Enginemen, trainmen, and fuel per car mile?

Mr. WORTHINGTON. I can not understand that statement when we pay higher wages than anywhere in the United States and pay more for our material.

Dr. LORENZ. The reason is you have the longer hauls and that reduces it.

Mr. WORTHINGTON. We pay much more per mile run for firemen, brakemen, conductors, and engineers than the average pay.

Dr. LORENZ. You will find my figures are based on your monthly report.

Mr. STEWART. I will say in this connection, since the reports made by this system have been brought into question, that I have been informed that they were in a very unsatisfactory condition in some respects when they reached us and that would verify to a large extent Dr. Lorenz's conclusion that our specific finding in that case would not be as representative as in some other cases where the company more strictly followed our suggestions in submitting data as to expenses.

Mr. WORTHINGTON. Do you mean to say our operating expenses as reported to you were upon any different basis from those reported by other roads? Were they not strictly in accordance with the Interstate Commission requirements?

Mr. STEWART. I am so informed.

Mr. PRENTISS. The fact is that some roads reported an assignment of expenses in greater detail than others. One hundred and twenty-four railroads reported to the department approximately 50 per cent of the operating expenses assigned directly to either passenger or freight traffic. Just what percentage the Southern Pacific assigned I do not recall. If the percentage of total assigned expenses was similar to that of the Santa Fe, which gave the department only 13 per cent, it would account for the higher cost per passenger-car mile on the Southern Pacific. The only remaining factor, which was revenue-train mileage, was used to apportion the other items of cost.

The CHAIRMAN. You submitted to the Southern Pacific a regular list of inquiries, did you not?

Mr. PRENTISS. Yes, sir.

The CHAIRMAN. The same as you did to all roads?

Mr. PRENTISS. Yes.

The CHAIRMAN. Was their reply as full and complete to those inquiries as the average of the other roads?

Mr. PRENTISS. No, sir; it was not.

Mr. WORTHINGTON. In what respect?

Mr. PRENTISS. In the assignment of operating expenses. The Southern Pacific assigned proportionally less than others, and as the basis on which the department divided the expenses was the train unit, if the assigned expenses for the passenger train and freight train were not given, the department had no alternative and simply used the data reported by the company, applying the train or locomotive mileage ratios, whichever was furnished by the company, in order to get an ascertainment.

Mr. WORTHINGTON. Is it not a fact that two requests were made for the assignment of expenses and we complied with both of your requests? You are speaking of the first request. I think our compliance was exactly in accordance with the accounts the way we had them.

Mr. PRENTISS. In the first request the department asked for the assigned expenses and apportioned expenses for passenger service. In the second request the department asked for the mail assignment, the express assignment, the passenger assignment, and the freight assignment.

Mr. WORTHINGTON. You did not accept the railroad's assignment?

Mr. PRENTISS. In the case of the Southern Pacific the two reports were in agreement as to the assigned expenses. A careful comparison of the two reports was made for each road and the results were based on both reports.

Mr. WORTHINGTON. I would like to bring out the fact that the assignment I referred to is not the railroad assignment, but the assignment found in Document No. 105, which was the department's assignment. Document No. 105 shows how the department assigned each account. You made the assignment?

Mr. PRENTISS. I would like to correct that statement. The department made no assignment of expenses. The unassigned expenses were apportioned on the basis of the train cost, using the assignments furnished by the railroad companies.

Mr. WORTHINGTON. It is that apportionment that I refer to.

Mr. PETERS. Mr. Lloyd asked General Stewart as to where that money would go that would be taken from the Denver & Rio Grande, and General Stewart said that it would go to the road that had frequency of service. On Long Island our next longest line, between Greenport and New York, on the weight basis we get as a result of the weighing of 1913—these are computations made by the department—$16,065 a year. On the space basis we would get $8,834. Yet we have 38.49 trips per week on that line. We would get, in addition to that, $2,900 for relief from side and terminal service, but that is a relief they are going to give us by assuming the side and terminal service and not as a result of pay for space. The most frequent line between Brooklyn and Jamaica we now get on a weight basis $1,494; on the closed-pouch service as proposed under the law in volume 8 we would get $1,420, a reduction of $74 a year, and there we have

203 trips per week. We would be relieved of $742 of station and messenger service. That just illustrates that it does not work out the way General Stewart stated.

Mr. McBride. I think it ought to be stated in connection with the Greenport and New York illustration that on the weight basis there was included the weights carried on the trains of the Wading River & Long Island City line and of the Oyster Bay & Long Island City line over part of the route. Under the new plan these trains are on another mail run and the compensation for those trains is not represented in the Greenport and New York computation, but is included in the pay for the other mail runs.

Mr. Peters. But taking the total cost of the apartment and closed-pounch service you make it $55,000, while on the new basis we are getting $51,000. In Document No. 105, after cutting off a portion of the mileage and throwing it out as space not allowed, you showed there we were underpaid $1,418 a month, or at the rate of $17,000 a year, in 1909.

Mr. McBride. This statement shows that you will receive $16,000 additional compensation.

Mr. Peters. Oh, no.

Mr. Mack. I would like to ask the question if the effect of your bill will not be to take the pay away from the lines that perform the volume of service in the transportation of the mail and give it to the lines that perform a less transportation service for the Post Office Department?

Mr. Stewart. I do not think it will. I think the opposite is true.

The Chairman. General Stewart, I would like to see whether I have a correct understanding. As I understand your conclusion with reference to overpay by the Government to the railroads, they are based entirely upon the ascertainment set forth in Document 105. Is that true?

Mr. Stewart. Yes, Senator, inasmuch as that is the only thing before us, it is the only ascertainment that has been made.

Mr. Lloyd. Did you not get some ascertainments from the Government employees, railway mail clerks, and railway superintendents as the basis of your charge for space or allowance for space that is not found in Document 105?

Mr. Stewart. Document 105 is based on all the information we could get on the subject.

Mr. Lloyd. Document 105 is the report of the railroads, and the report of your employees and determination based on all information you have obtained from the railroads and the departmental employees?

Mr. Stewart. Yes.

The Chairman. Document 105 was the result of inquiries for the month of November, 1909, made by the department upon the railroads, and the tables were prepared by the department from the answers to those questions. That is true, is it?

Mr. Stewart. No. I could not say that that is true. If I answered that yes it would not be correct, and if I answered it no it would not be correct. We have explained a number of times that the railroad companies reported more space than we could accept and, therefore, it is not based primarily on what they reported to us.

It is based upon the reports of the railroad companies as properly revised by the department to represent the space needed and used.

The CHAIRMAN. Then that comes to what I want to get at. Then the correctness of the deductions in reference to overpayment depends upon the correctness of the apportionment of tables prepared by the department upon the information submitted by the railroads in reply to inquiries submitted by the Government to the railroads. Is that correct?

Mr. STEWART. That is substantially correct.

The CHAIRMAN. Then the difference in dead space, the allotment between the department and the railroads, is the crucial test as to the correctness of the deductions in reference to the question of overpay or underpay. Is that true?

Mr. STEWART. That, I think, represents the material point of difference between the railroads and the department.

The CHAIRMAN. That is the key to the problem of correctness of the dead-space apportionment, the key to the main factor?

Mr. STEWART. I think so, in so far as Document 105 is concerned.

The CHAIRMAN. So far as the conclusions in reference to the underpay or overpay, if the conclusions are based solely upon the ascertainment and information, that being all available as contained in Document 105?

Mr. STEWART. You are referring, of course, to Document 105 as shown, without reference to anything else that has been submitted to the commission, the consideration of express rates, etc.?

The CHAIRMAN. I am, so far as the overpay or underpay is concerned; that is, so far as your own conclusions are concerned.

Mr. STEWART. And without regard to any consideration of the special items I have submitted here which might be taken into account?

The CHAIRMAN. I am not asserting anything, but I am trying to put interrogatories to follow out your line and see how your thoughts appeal to my mind.

Mr. STEWART. To make my answer complete to your question, which is very comprehensive, I would have to insert at this point in the record all the things I have said which I think the commission should take into consideration, not solely those presented in Document 105, but all the other considerations as to whether the railroads were overpaid or underpaid.

The CHAIRMAN. And you have come to a conclusion, as I understand it, that the railroads have been overpaid, and the testimony will show specific statements to the effect, if my memory serves me rightly. What value do you give to Document 105 ascertainment?

Mr. STEWART. I gave primary value to that. All these other considerations that I have mentioned simply accentuate the conditions shown by Document 105. For instance, when I say that Document 105, taken on its face, shows more revenue received than expenses fairly apportioned to the mail service, that is subject again to the criticism that I myself make against the plan, to the effect that it proceeds upon a most liberal plan of apportionment, which I pointed out this morning.

The CHAIRMAN. I was not discussing the plan at all, but simply the conclusion or conviction in your own mind with reference to overpay or underpay, which is one of the phases of the study, and that your

conclusions, which are definite, according to the testimony, are based primarily and, as I understood you, almost entirely upon Document 105 ascertainment.

Mr. STEWART. So far as the specific figures are concerned which we have submitted, that is true.

(Thereupon, at 1 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The hearing was resumed at the expiration of the recess at 2 o'clock p. m.

The CHAIRMAN. Dr. Lorenz, you have read all of the evidence that has been submitted at the various hearings and have for a period of over two months devoted your time exclusively to a special study of this subject and intermittently it has had your consideration for over a year; now, outside of the information contained in Document 105 and other viewpoints submitted in the evidence, are there any other facts or additional information that occur to your mind that it would be wise to consider in our study of this subject?

Dr. LORENZ. It seems to me that the conclusion of the committee ought not necessarily rest entirely on Document 105, that there are other indications of what might be a fair rate per car mile, which help to determine the question of overpay and underpay that do not depend upon that particular tabulation for 1909. For example, the Post Office Department can make and has made estimates of the total amount of mail service measured in 60-foot-car miles, and the result varies according to the method of estimating that service. In one estimate in which they charged the department with mail space based upon the three units of 15, 30, and 60 feet, they give us a figure of about 260,000,000 car miles as the equivalent of the Railway Mail Service 60-foot cars. That is not dependent on Document 105. Dividing that into existing revenue as reported by the Second Assistant Postmaster General, we get an idea of the existing revenue to the railroads per car mile for the mail service. The pay being $51,000,000, the car miles being 260,000,000, we get an average payment of something less than 20 cents a car mile.

That does not depend in any way upon Document 105, but it does involve the same controversy that has come up in connection with this matter, because in that estimate of 260,000,000 car miles the department has been charged with a certain amount of dead space; that is to say, if they charge themselves with a 30-foot apartment when they need 20 or 25, it is obvious that they are charging themselves with a certain amount of dead space, although not as much as the total amount involved in Document 105; for example, under this three-unit system, if they needed a 30-foot apartment and the railroad company furnished a whole car, they would not be charged with the whole car, but only with the 30-foot apartment, because that is one of the units, consequently that element of dead space which exists would not be charged against the department under the three-unit plan. Having arrived, then, at the conclusion that upon a fair apportionment of dead space which presumably would result from these three units, you have your starting point, the existing revenue of something less than 20 cents a car mile. To know whether that is too high or too low, we, of course, have the basis of comparison with the average revenue re-

ceived from passenger-train service, and that average is furnished by the Interstate Commerce Commission to this committee and is not open to much dispute, although it varies a little each year, although it must be considered that the average of approximately 25 cents is the result of considering all of the dead space in the divisor, because all of the car miles, whether they are empty or partly used, are divided into the total passenger-train revenue. So there you have two figures which it seems to me are pretty well fixed and not open much to dispute and which do not depend on Document 105.

The CHAIRMAN. That is the 260,000,000 car miles as figured by the department and the car mileage from the passenger service as figured by the Interstate Commerce Commission?

Dr. LORENZ. Yes. Of course the department made that estimate simply in response to a question of the committee, and possibly on revision they would change it somewhat. They have more recently submitted an estimate of 225,000,000 car miles when the authorization is made upon a different basis. In other words, the number of car miles with which the department charged themselves depends largely on the units which they can authorize. If they can authorize 15, 20, and 25 feet they are obviously going to escape some of the dead space which they must assume if they authorize units of 15, 30, and 60 feet.

The CHAIRMAN. In that connection it may be interesting to all of you gentlemen to hear the contents of a letter I have received from Canada in response to a letter I addressed to the postmaster general under date of March 3. My letter of March 3 reads as follows:

MARCH 3, 1914.

Hon. LOUIS P. PELLETIER,
*Postmaster General, Ottawa, Canada.*

DEAR SIR: My attention has been called to the February 7 issue of the Railway Review, published at Chicago, Ill., in which you are quoted as follows:

"After long negotiations, in which the railways were most insistent for an increase of about $4,000,000 as extra compensation for carrying the parcel post, no special or additional compensation was allowed. A car mile instead of a track mile was agreed upon, however. Under this plan the railways will get about $786,000 a year more than now. This was only a readjustment of the existing arrangement, and is in no sense an additional payment for the parcel-post system."

Since the above-named joint committee is now investigating the general subject of railway mail pay, it would be appreciated if you could favor us with the details entering into the adjustment referred to.

Yours respectfully,

JONATHAN BOURNE, Jr., *Chairman.*

To this I received the following reply, dated March 14, 1914:

MARCH 14, 1914.

Hon. JONATHAN BOURNE,
*Chairman Mail Transportation Committee,*
*Washington, D. C., United States of America.*

DEAR SIR: I have the honor to acknowledge the receipt of your letter of the 3d instant, asking to be furnished with details regarding the rates of payment allowed the Canadian railways for mail-transportation.

In reply, I have to inform you that under the arrangements recently made, which went into effect on the 1st of February last, the Canadian post-office department has agreed to pay for railway mail service according to the following rates and conditions until the 1st of February, 1915:

1. For a full postal car equipped for the sortation and handling of mails, including parcels, and the accommodation and transportation of post-office officials on duty, 16 cents a car mile.

2. For a half car or section of a car completely equipped in the same manner as a full postal car and the transportation of post-office officials on duty, 9 cents a car mile.

3. For the conveyance of closed mails carried in baggage cars in charge of baggagemen or other railway officials in charge of such cars on regular trains, 4 cents a car mile.

4. The equipment and accommodation furnished by postal cars shall include light, heat, and an adequate supply of drinking water.

5. For special trains ordered by the post-office department for the transportation of ocean mails, $1.25 a train-mile when no passengers, baggage, or freight is carried. When cars for the conveyance of passengers, freight, or baggage are attached to such trains by the railway company, the rate shall be $1 a mile.

6. The rate of 16 cents a car mile shall apply to all cars used wholly for mail purposes, whether hauled in special trains run by the railway companies for their own convenience or on regular trains. However, the department will not require the railways to haul more than one car with mails on any such train at the 16-cent rate. If more than one car has to be attached to a special train by order of the post-office department, the rates provided for in the preceding section—that is, $1 a mile—will apply.

7. All railway companies shall provide, without extra charge to the post-office department, for the care and storage of mails at junction points when such mails have to be held or stored for train connection and are to be transferred from one train to another of the same company. The work of transferring mails between the trains of any railway shall be performed by the railway company, except at points where the department has already provided for such transfers or may hereafter agree to provide for them owing to growth or development.

I may say that no special arrangements have been made for the transportation of parcels, which have to be conveyed in the same manner and paid for at the same rate as other mail matter. Under the arrangements above described the postmaster general will simply require the railways to furnish whatever car space may be necessary for the accommodation of mails of every description, and will pay accordingly.

The increase that the railways will earn under the new schedule of rates, calculated on the basis of the service as it existed last year, will amount to about $786,000, as stated in the Railway Review. If it is found, however, that the increased amount of mail to be handled, owing to the introduction of parcel post, will make it necessary for the railways to furnish extra accommodation, they will, of course, be paid a larger amount than that above mentioned.

Yours respectfully,

LOUIS P. PELLETIER.

Then I addressed another letter dated March 19, 1914, to draw out more specific information as to what their standard cars were, etc., and have to-day his reply under date of March 31, 1914, which letters read, respectively, as follows:

MARCH 19, 1914.

Hon. LOUIS P. PELLETIER,
*Postmaster General, Ottawa, Canada.*

DEAR SIR: I have your letter of March 14, in response to mine of the 3d instant, and desire to express my appreciation of your favoring me with the details entering into your recent readjustment of mail compensation to the railroads of Canada on account of parcel post.

I should be pleased if you would further favor me with information on the following points:

(1) The length of what you denominate a full postal car, inside measurement, and which you state is paid for at the rate of 16 cents per car mile, subject to exceptions stated in your letter.

(2) Is the 9 cents a car mile a flat rate for cars of any length less than that of a full postal car, or is the rate for smaller size cars pro rated on the 16-cent rate for the full car. This query is prompted by the application of the 9-cents-a-car-mile rate to "a half car or section of a car," etc. A section of a car may be less than half a car.

(3) How the rates the railroads receive for their mail service compare with those received from their passenger and express service on a car-mile basis.

Definite information on the foregoing points will be of great benefit to us in our study of the railway mail pay question.

I have had some intimation that Canada had or expected to inaugurate a parcel-post system similar to our own. If it has such a law, I should be pleased to receive a copy, if same is available for distribution, with such comments as you may favor me with. I should particularly like to know the maximum weight and size of packages that can be carried and the rates applicable thereto, as also the estimated amount of package mail handled. It would be of value to know the number of pieces of such mail matter as well as the total weight.

Again expressing my appreciation of your courteous response to my letter of the 3d instant and assuring you of my further appreciation of such information as you can furnish me with along the line above indicated, I am,

Very respectfully yours,

JONATHAN BOURNE, Jr., *Chairman.*

MARCH 31, 1914.

Hon. JONATHAN BOURNE,
*Chairman of Mail and Transportation Committee,*
*Washington, D. C., United States of America.*

DEAR SIR: I have to acknowledge the receipt of your letter of the 19th instant with further reference to the recent arrangement made with Canadian railways for the transmission of mails.

As regards the measurement of postal cars, concerning which you asked for further information, I have to say that the length of a full car, for which 16 cents a mile is to be allowed, is 60 feet, and a half car or section of a car, for which 9 cents shall be paid, is 30 feet, inside measurement in both cases. I may say, however, that a number of the full postal cars at present in use exceed 60 feet in length, while others are somewhat less, varying from 50 to 60 feet, and it is the intention to allow the full rate of 16 cents for the latter so long as they are found sufficient for the accommodation of the mails on the routes on which they are being used. The same privilege will be allowed in respect to half cars or sections now in use that may be under 30 feet in length. These will receive 9 cents a car-mile under the same conditions.

It is provided in the agreement, however, that all postal cars that may hereafter be equipped for the railway mail service shall be constructed and arranged in accordance with plans approved by the postmaster general.

In reply to your third question I may inform you that according to the Canadian railway statistics of 1913 the average earnings of all passenger cars was 31.27 cents a car mile, but there are no statistics available as to the earnings of the express service on a car-mile basis. It is seldom that a whole car is used for express purposes, the general practice on the larger railways being to divide a car, using one half for the express and the other half for mail or baggage. On the small railways whatever express matter has to be handled is carried in the baggage car, and there is no fixed mileage rate in any case, the railways being paid a percentage of the express revenue for transportation according to agreements made from time to time with the express companies.

With reference to the parcel-post system lately inaugurated in Canada I regret that this department is not yet able to furnish any figures or statistics that would be of value to you, but such statistics are being compiled at the larger offices, and I shall be glad to furnish you with the information you desire just as soon as returns are received at the department.

I may explain that when parcel post went into operation on the 10th February the weight of parcels was restricted to 6 pounds, and an extra charge of 5 cents was imposed on parcels mailed in the cities for local delivery. These restrictions were imposed so as to give the department an opportunity to organize thoroughly for carrying on the work. After an experience of about three weeks it was found that no difficulty would be experienced in carrying out the system in its entirety and the restrictions were removed on the 4th March, the full weight of 11 pounds being accepted and the extra charge for local delivery in cities discontinued. It may be considered, therefore, that Canadian parcel post only went into full operation about three weeks ago.

A number of copies of the Canadian parcel post regulations, which give full information as to the maximum weight and size of packages received for post and the rates applicable thereto, are inclosed herewith.

Yours, respectfully,

LOUIS P. PELLETIER.

I thought that this information, just having been received, would be good to get before you, and it might perhaps be a good idea to get the opinion and expression of views of you gentlemen representing the railroads, of the representatives of the department, and of Dr. Lorenz as to the difference in conditions between this country and Canada and how far it would be safe, if at all, to adopt the experience or action of the Canadian Government in our own studies.

(Subsequent to the hearings, and under date of April 6, 1914, the chairman addressed a communication to the postmaster general of Canada relative to subsidized railroads, and in reply received a letter from the deputy postmaster general, dated April 8, 1914, together with a statement of aid granted and paid to railways of Canada by Governments and municipalities, which letters and statement are in their order, respectively, as follows:)

APRIL 6, 1914.

Hon. LOUIS P. PELLETIER,
*Postmaster General, Ottawa, Canada.*

DEAR SIR: Referring to my letters of March 3 and March 19 and your replies of March 14 and 31 relative to railway mail pay in Canada.

Will you kindly advise me whether or not all railroads of Canada are subsidized by the Government, indicating, if in the affirmative, whether by land grants or cash donations. If there are any not subsidized, I would appreciate it if you would indicate by name those roads which are and those which are not.

I would further like to inquire what consideration, if any, was given to the factor of Federal aid in construction and maintenance to the railroads of Canada in your Government's fixing a 16-cent rate per car-mile for a full railway post-office car and a 9-cent rate for an apartment car, as stated in your letters above referred to. In other words, I would like to know what influence, if any, Federal aid in construction and operation had in the determination of the 16 and 9 cent rates. It would also be interesting to know whether such rates were fixed upon a public utility or strict commercial basis.

With appreciation of your past favors, I remain,

Respectfully yours.

JONATHAN BOURNE, Jr.

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POST OFFICE DEPARTMENT, CANADA,
*Ottawa, April 8, 1914.*

Hon. JONATHAN BOURNE,
*Chairman Mail Transportation Committee,*
*Washington, D. C., U. S. A.*

DEAR SIR: In the absence of the postmaster general I beg to acknowledge the receipt of your letter of the 6th instant with further reference to the rates now being paid railways in Canada for mail transportation. You inquire whether all Canadian railways are subsidized by the Government and whether the aid granted to railways was a factor in deciding the rates that have recently been fixed.

In reply I have to say that, with few exceptions, all railways in Canada have received assistance in connection with the construction of their roads either in the form of cash subsidies, guarantee of bonds, or land grants, and I am inclosing for your information a copy of the Canadian Railway Statistics, in which you will find at page 34 a complete statement of the cash subsidies (including loans) granted to all railways. In addition to the statistics shown in this statement some of the railways mentioned received land grants. No assistance has been given toward the maintenance of any railway after construction. In fixing the rates recently adopted the post office department was influenced by the grants that have been made to railways to the extent of deciding that the payment for mail transportation should be based on the cost of operation only of the cars used for mail purposes and not on a strictly commercial basis, it being considered that the Government has the right to demand some return for the amount contributed by it toward the construction of the railways.

In this connection I may inform you that all railways that have been subsidized by the Dominion Government during the last 16 years, either by cash subsidies or land grants, are required by law to perform any service required by the Government, such as the transportation of mails, men, and supplies up to the value of 3 per cent yearly on the amount of their subsidy. The rates allowed for mail service are applied to railway companies' obligations in respect of their subsidies, and the amount earned is simply transferred by the post office department to the finance department. These provisions, however, do not apply to railways who have only received assistance in the way of loans or the guaranty of bonds.

Yours very truly,

*Deputy Postmaster General.*

*Statement of aid, granted and paid to railways by*

| No. | Name of railway. | By Dominion Government. | | | By provincial governments. | |
|---|---|---|---|---|---|---|
| | | Subsidy granted. | Subsidy paid up. | Loan. | Name of Province. | Subsidy granted. |
| 1 | Albert Southern (abandoned). | $50,460.00 | $50,460.00 | ..... | New Brunswick. | $48,680.00 |
| 2 | Harvey Branch (abondoned). | 5,553.57 | 5,553.57 | ..... | .....do..... | 9,000.00 |
| 3 | Alberta Ry. & Irrigation Co. (C. P. R.). | 148,094.00 | 148,094.00 | ..... | ..... | ..... |
| 4 | Algoma Central & Hudson Bay. | 2,054,976.00 | 1,453,419.44 | ..... | Ontario..... | 201,580.00 |
| 5 | Algoma Eastern..... | 547,200.00 | 365,649.13 | ..... | .....do..... | 265,000.00 |
| 6 | Atlantic, Quebec & Western. | 902,800.00 | 902,800.00 | ..... | ..... | ..... |
| 7 | Bay of Quinte..... | 350,455.25 | 350,455.25 | ..... | Ontario..... | 84,000.00 |
| 8 | Bedlington & Nelson (nil). | ..... | ..... | ..... | ..... | ..... |
| 9 | Brandon, Sask. & Hudson Bay (nil). | ..... | ..... | ..... | ..... | ..... |
| 10 | British Yukon...(nil) | ..... | ..... | ..... | ..... | ..... |
| 11 | Brookville, Westport and Western. | 140,800.00 | 140,800.0 | ..... | Ontario..... | ..... |
| 12 | Bruce Mines & Algoma | 53,920.00 | 53,920.00 | ..... | .....do..... | 50,918.00 |
| 13 | Canada & Gulf Terminal. | 210,053.59 | 210,053.59 | ..... | Quebec..... | ..... |
| 14 | Canada Southern, including: | | | | | |
| 15 | Sarnia, Chatham & Erie. | ..... | ..... | ..... | Ontario..... | ..... |
| 16 | Leamington & St. Clair. | 51,200.00 | 51,200.00 | ..... | .....do..... | 147,859.00 |
| 17 | Canadian Government railways; intercolonial, including: | | | | | |
| 18 | Canada Eastern... | 374,839.84 | 374,839.84 | ..... | ..... | ..... |
| 19 | Drummond County. | 423,936.00 | 423,936.00 | ..... | Quebec..... | ..... |
| 20 | Fredericton & St. Marys. | 30,000.00 | 30,000.00 | ..... | ..... | ..... |
| 21 | Nova Scotia Steel & Coal Co.'s Ry. | 40,000.00 | 39,840.00 | ..... | Nova Scotia..... | 40,000.00 |
| 22 | Prince Edward Island. | ..... | ..... | ..... | ..... | ..... |
| 23 | Canadian Northern, including. | 374,606.00 | 374,606.00 | ..... | ..... | ..... |
| 24 | Winnipeg Great Northern. | ..... | ..... | ..... | ..... | ..... |
| 25 | Port Arthur, Duluth & Western. | 271,200.00 | 271,200.00 | ..... | Ontario..... | 255,571.00 |
| 26 | Ontario & Rainy River. | 1,534,526.00 | 1,534,526.00 | ..... | .....do..... | 1,072,800.00 |
| 27 | Manitoba..... | ..... | ..... | ..... | Manitoba..... | 641,575.25 |
| 28 | Edmonton, Yukon & Pacific. | 160,000.00 | 91,200.00 | ..... | ..... | ..... |
| 29 | Canadian Northern Ontario. | 2,255,872.00 | 2,240,832.00 | ..... | Ontario..... | [2] |
| 30 | Canadian Northern Quebec. | 2,020,616.89 | 2,020,616.89 | ..... | Quebec..... | 1,194,129.46 |
| 31 | Canadian Northern Alberta. | 2,589,600.00 | 2,589,600.00 | ..... | ..... | ..... |
| 32 | Canadian Northern Pacific. | 4,349,930.40 | 4,349,930.40 | ..... | ..... | ..... |
| 33 | Canadian Pacific..... | [3]30,053,283.00<br>[3]10,189,521.00 | 29,944,660.43<br>[3]10,189,521.00 | ..... | Manitoba.....<br>Brit. Columbia.. | 375,377.50<br>37,500.00 |
| 34 | Owned—Can. Central.. | 1,525,250.00 | 1,525,250.00 | ..... | Ontario..... | 1,479,000.00 |
| 35 | Lake Temiskaming Colonization. | 310,335.95 | 310,335.95 | ..... | Quebec..... | 350,076.82 |
| 36 | North Shore..... | 1,500,000.00 | 1,500,000.00 | ..... | ..... | ..... |
| 37 | Montreal & Western. | 361,270.00 | 361,270.00 | ..... | Quebec..... | 472,500.00 |
| 38 | Quebec, Montreal, Ottawa & Occidental. | ..... | ..... | ..... | .....do..... | 727,000.00 |
| 39 | Leased—Atlantic & North West. | 3,888,800.00 | 3,888,800.00 | ..... | .....do..... | 711,122.02 |
| 40 | Cap de la Madeleine | 7,424.00 | 7,424.00 | ..... | ..... | ..... |
| 41 | Columbia & Kootenay. | 88,800.00 | 88,800.00 | ..... | ..... | ..... |

[1] From Table 5, pp. 34 to 43, inclusive, of "Railway Statistics of the Dominion of Canada for the year ending June 30, 1913.

*Governments and municipalities, to June 30, 1913.*[1]

| By provincial governments—Continued. | | | By municipalities. | | | |
|---|---|---|---|---|---|---|
| Subsidy paid up. | Loan. | Subscription to shares. | Subsidy granted. | Subsidy paid up. | Loan. | Subscription to shares. |
| $48,680.00 | | | | | | |
| 9,000.00 | | | | | | |
| | | | | | | |
| 100,000.00 | | | | | | |
| 250,000.00 | | | | | | |
| | | | | | | |
| 84,000.00 | | | $197,990.43 | $197,990.43 | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | 116,000.00 | 116,000.00 | | |
| 50,918.00 | | | 500.00 | 500.00 | | |
| | | | 20,600.00 | 20,600.00 | | |
| | | | 322,500.00 | 322,500.00 | | |
| 147,859.00 | | | | | | |
| | | | | | | |
| | | | 15,000.00 | 15,000.00 | | |
| | | | | | | |
| 40,000.00 | | | 4,000.00 | 4,000.00 | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 255,571.00 | | | 40,000.00 | 40,000.00 | | |
| 1,072,800.00 | | | 50,000.00 | 50,000.00 | | |
| 641,575.25 | | | | | | |
| | | | | | | |
| (2) | | | 20,000.00 | 20,000.00 | | |
| 1,194,129.46 | | | 72,000.00 | 72,000.00 | | $200,000.00 |
| | | | | | | |
| | | | | | | |
| 372,157.50 | | | 572,500.00 | 464,761.29 | | |
| 37,500.00 | | | | | | |
| 1,479,000.00 | | | | | | 42,500.00 |
| 350,076.82 | | | | | | |
| | | | | | | |
| 472,500.00 | | | | | | |
| 727,000.00 | $1,176,956.00 | | 25,000.00 | 25,000.00 | 771,644.62 | |
| 699,192.08 | | | | | | 325,000.00 |
| | | | | | | |
| | | | | | | |

[2] Ontario Government guarantee bonds, 318 miles at $20,000 per mile.
[3] Amount paid for 6,793,014 acres land relinquished by company.

*Statement to aid, granted and paid to railways by*

| No. | Name of railway. | By Dominion Government. | | | By provincial governments. | |
|---|---|---|---|---|---|---|
| | | Subsidy granted. | Subsidy paid up. | Loan | Name of Province. | Subsidy granted. |
| 42 | Credit Valley | | | | Ontario | $531,000.00 |
| 43 | Fredericton | | | | New Brunswick. | 230,000.00 |
| 44 | Guelph Junction | $51,200.00 | $46,000.00 | | Ontario | |
| 45 | Guelph&Goderich | | | | do | |
| 46 | Lindsay, Bobcaygeon & Pontypool. | 185,173.06 | 185,173.06 | | do | 52,500.00 |
| 47 | Manitoba & North-Western. | | | | Manitoba | |
| 48 | Manitoba & South West Colonization. | | | | do | |
| 49 | Montreal & Lake Maskinonge. | 41,280.00 | 41,280.00 | | Quebec | 87,750.00 |
| 50 | Montreal & Ottawa. | 192,000.00 | 192,000.00 | | Ontario<br>Quebec | 100,000.00<br>182,210.00 |
| 51 | Nahusp & Slocan | 121,600.00 | 117,760.00 | | British Columbia. | |
| 52 | New Brunswick | | | | New Brunswick. | 76,000.00 |
| 53 | New Brunswick & Canada. | | | | do | 575,000.00 |
| 54 | New Brunswick Southern. | | | | do | 413,000.00 |
| 55 | Nicola, Kamloops & Similkameen. | 300,800.00 | 300,800.00 | | | |
| 56 | Northern Colonization. | 355,200.00 | 355,200.00 | | Quebec | 96,000.00 |
| 57 | Ontario & Quebec. | 196,000.00 | 196,000.00 | | Ontario | |
| 58 | Orford Mountain | 202,926.50 | 202,926.50 | | Quebec | 138,884.92 |
| 59 | Ottawa, Northern & Western. | 950,000.00 | 821,009.29 | | Ontario<br>Quebec | 50,000.00<br>1,316,389.15 |
| 60 | Saskatchewan & Western. | | | | Manitoba | |
| 61 | Shuswap & Okanagan. | 163,200.00 | 163,200.00 | | | |
| 62 | St. John Bridge & Ry. Extension. | | | $433,900.00 | New Brunswick. | $5,181.81 |
| 63 | St. John & Maine | | | | do | 880,000.00 |
| 64 | St. Lawrence & Ottawa. | | | | Ontario | |
| 65 | St. Marys & Western, Ont. | 67,709.00 | 67,709.00 | | do | |
| 66 | St. Stephen & Milltown. | 14,848.00 | 14,848.00 | | New Brunswick. | 13,920.00 |
| 67 | Tillsonburg, Lake Erie & Pacific. | 158,871.48 | 117,431.48 | | Ontario | 38,564.00 |
| 68 | Tobique Valley | 134,016.00 | 134,016.00 | | New Brunswick. | 70,000.00 |
| 69 | Toronto, Grey & Bruce. | 14,656.00 | 14,656.00 | | Ontario | 375,282.00 |
| 70 | Vancouver and Lulu Island. | 61,760.00 | 61,760.00 | | | |
| 71 | West Ontario Pacific. | 60,000.00 | 60,000.00 | | Ontario | |
| 72 | Cape Breton | 196,800.00 | 196,800.00 | | Nova Scotia | 99,200.00 |
| 73 | Caraquet | 224,000.00 | 224,000.00 | | New Brunswick. | 180,000.00 |
| 74 | Carillon & Grenville (nil). | | | | | |
| 75 | Central Ontario, including. | 204,893.49 | 204,893.49 | | Ontario | 278,000.00 |
| 76 | Marmora Ry. & Mining Co. | 30,720.00 | 30,720.00 | | do | 19,149.39 |
| 77 | Colchester Coal & Ry. Co. | 12,800.00 | 12,800.00 | | | |
| 78 | Crows Nest Southern (nil). | | | | | |
| 79 | Cumberland Ry. & Coal Co. | 44,800.00 | 39,850.00 | | Nova Scotia | 184,450.00 |
| 80 | Dominion Atlantic, including: | | | | | |
| 81 | Windsor & Annapolis. | 1,193,369.00 | 1,193,369.00 | | | |
| 82 | Cornwallis Valley | 44,800.00 | 44,800.00 | | Nova Scotia | 44,800.00 |
| 83 | Western Counties | 500,000.00 | 500,000.00 | | do | 679,197.45 |
| 84 | Midland of N. S | 399,060.40 | 399,060.40 | | do | 185,600.00 |
| 85 | Eastern British Columbia (nil). | | | | | |
| 86 | Elgin & Havelock | [1] 82,652.82 | [1] 82,652.82 | | New Brunswick. | 107,500.00 |

[1] Includes used iron rails.

*Governments and municipalities, to June 30, 1913*—Continued.

| By provincial governments—Continued. | | | By municipalities. | | | |
|---|---|---|---|---|---|---|
| Subsidy paid up. | Loan. | Subscription to shares. | Subsidy granted. | Subsidy paid up. | Loan. | Subscription to shares. |
| $531,000.00 | | | $1,085,000.00 | $1,085,000.00 | | |
| 230,000.00 | | | 80,000.00 | 80,000.00 | | |
| | | | | | | $193,000.00 |
| | | | 31,000.00 | 31,000.00 | | |
| 52,500.00 | | | 73,000.00 | 73,000.00 | | |
| | | | 215,600.00 | 215,600.00 | | |
| | $900,000.00 | | | | | |
| 87,750.00 | | | | | | |
| 100,000.00 | | | | | | |
| 182,210.00 | | | 5,300.00 | 5,300.00 | | |
| | 647,074.00 | | | | | |
| 76,000.00 | | | 23,000.00 | 23,000.00 | | |
| 575,000.00 | | | 47,500.00 | 47,500.00 | | |
| 413,000.00 | | | 3,000.00 | 3,000.00 | | |
| 96,000.00 | | | | | | |
| | | | 52,500.00 | 52,500.00 | | |
| 138,884.92 | | | 3,000.00 | 3,000.00 | | |
| 50,000.00 | | | 150,000.00 | 150,000.00 | | |
| 1,192,672.58 | | | 101,000.00 | 100,000.00 | | |
| | | | 10,000.00 | 10,000.00 | | |
| 5,181.81 | | | | | | |
| 880,000.00 | | $300,000.00 | | | | 60,000.00 |
| | | | | | $300,000.00 | 90,000.00 |
| | | | 80,000.00 | 77,996.39 | | |
| 13,920.00 | | | | | | |
| 38,564.00 | | | 75,000.00 | 75,000.00 | | |
| 70,000.00 | | | | | | |
| 375,282.00 | | | 988,000.00 | 969,561.44 | | |
| | | | 25,000.00 | 25,000.00 | | |
| 99,200.00 | | | 10,000.00 | 10,000.00 | | |
| 180,000.00 | | | | | | |
| 278,000.00 | | | 93,500.00 | 93,500.00 | | |
| 19,149.39 | | | | | | |
| 173,650.0 | | | | | | |
| 44,800.00 | | | 27,685.00 | 27,685.00 | | |
| 679,197.45 | | | 250,000.00 | 250,000.00 | | |
| 183,510.40 | | | 36,000.00 | 36,000.00 | | |

*Statement of aid, granted and paid to railways by*

| No. | Name of railway. | By Dominion Government. | | | By provincial governments. | |
|---|---|---|---|---|---|---|
| | | Subsidy granted. | Subsidy paid up. | Loan. | Name of Province. | Subsidy granted. |
| 87 | Esquimalt & Nanaimo (C. P. R.). | $1,115,440.00 | $1,115,440.00 | ..... | ..... | ..... |
| 88 | Essex Terminal..(nil) | ..... | ..... | ..... | ..... | ..... |
| 89 | Fredericton & Grand Lake.[1] | 104,996.04 | 104,996.04 | ..... | ..... | ..... |
| 90 | Grand Trunk, including: | ..... | ..... | $15,142,633.33 | ..... | ..... |
| 91 | Beauharnois Junction. | 62,400.00 | 62,400.00 | ..... | Quebec..... | $179,073.00 |
| 92 | Brantford, Norfolk & Pt. Burwell. | ..... | ..... | ..... | Ontario..... | 68,000.00 |
| 93 | Buffalo & Lake Huron. | ..... | ..... | ..... | .....do..... | ..... |
| 94 | Cobourg, Blairton & Marmora. | ..... | ..... | ..... | .....do..... | 18,740.00 |
| 95 | Grand Trunk, Victoria Bridge. | 500,000.00 | 500,000.00 | ..... | ..... | ..... |
| 96 | Grand Trunk, Georgian Bay & Lake Erie. | ..... | ..... | ..... | Ontario..... | 336,000.00 |
| 97 | Grand Junction, Belleville & N. Hastings. | 21,888.00 | 21,888.00 | ..... | .....do..... | 224,660.00 |
| 98 | Owen Sound Branch. | 39,744.00 | 39,744.00 | ..... | .....do..... | ..... |
| 99 | Hamilton & North Western. | ..... | ..... | ..... | .....do..... | 565,020.00 |
| 100 | London, Huron & & Bruce. | ..... | ..... | ..... | .....do..... | 178,630.00 |
| 101 | Midland, Ontario.. | ..... | ..... | ..... | .....do..... | 168,350.00 |
| 102 | Montreal & Champlain Junction. | 103,600.00 | 103,600.00 | ..... | Quebec..... | 150,000.00 |
| 103 | Northern..... | ..... | ..... | ..... | Ontario..... | 196,188.00 |
| 104 | North Simcoe..... | ..... | ..... | ..... | .....do..... | 83,300.00 |
| 105 | Northern Pacific Junction. | 1,320,000.00 | 1,320,000.00 | ..... | ..... | ..... |
| 106 | South Norfolk..... | 54,400.00 | 54,400.00 | ..... | Ontario..... | ..... |
| 107 | Toronto Belt Line. | ..... | ..... | ..... | ..... | ..... |
| 108 | Toronto & Nipissing. | ..... | ..... | ..... | Ontario..... | 105,212.00 |
| 109 | Lake Simcoe Junction. | ..... | ..... | ..... | .....do..... | 53,000.00 |
| 110 | Victoria..... | ..... | ..... | ..... | .....do..... | 312,000.00 |
| 111 | Waterloo Junction. | 32,800.00 | 32,800.00 | ..... | .....do..... | ..... |
| 112 | Wellington, Grey & Bruce. | ..... | ..... | ..... | .....do..... | 241,276.00 |
| 113 | Whitby, Port Perry & Lindsay. | ..... | ..... | ..... | .....do..... | 94,957.59 |
| 114 | Grand Trunk—Canada Atlantic division. | 282,355.20 | 282,355.20 | ..... | .....do.....<br>Quebec..... | 270,000.00<br>200,000.00 |
| 115 | Ottawa, Arnprior & Parry Sound. | 932,512.00 | 932,512.00 | ..... | Ontario..... | 577,326.06 |
| 116 | Central Counties... | ..... | ..... | ..... | .....do..... | ..... |
| 117 | Pembroke Southern. | 64,000.00 | 64,000.00 | ..... | .....do..... | 55,500.00 |
| 118 | Grand Trunk Pacific [2]. | 4,994,416.66<br>1,269,299.20 | [2] 4,994,416.66<br>1,269,299.20 | 10,000,000.00 | .....do..... | 376,320.00 |
| 119 | Gulf Shore..... | 53,699.20 | 53,699.20 | ..... | New Brunswick. | 41,950.00 |
| 120 | Ha Ha Bay [2]..... | 148,148.20 | 148,148.20 | ..... | ..... | ..... |
| 121 | Halifax & Southwestern, including. | 819,874.93 | 819,874.93 | ..... | Nova Scotia..... | 3,899,605.00 |
| 122 | Central of N. S. & N. S. Southern. | 653,776.00 | 653,776.00 | ..... | .....do..... | ..... |
| 123 | Halifax & Yarmouth. | 160,000.00 | 160,000.00 | ..... | .....do..... | 156,499.33 |
| 124 | Middleton and Victoria Beach. | 125,760.00 | 125,760.00 | ..... | .....do..... | 96,000.00 |
| 125 | Hereford..... | 170,560.00 | 170,560.00 | ..... | Quebec..... | 103,000.00 |
| 126 | Inverness Ry. & Coal Co. | 627,000.00 | 368,545.97 | ..... | Nova Scotia..... | 272,000.00 |
| 127 | International of New Brunswick. | 726,080.00 | 725,288.07 | ..... | New Brunswick. | 275,000.00 |
| 128 | Irondale, Bancroft & Ottawa. | 144,000.00 | 144,000.00 | ..... | Ontario..... | 315,000.00 |
| 129 | Kaslo & Slocan...)nil) | ..... | ..... | ..... | ..... | ..... |

[1] Under construction. [2] Paid under the "Implement clause" by Dominion Government.

*Governments and municipalities, to June 30, 1913*—Continued.

| By provincial governments—Continued. | | | By municipalities. | | | |
|---|---|---|---|---|---|---|
| Subsidy paid up. | Loan. | Subscription to shares. | Subsidy granted. | Subsidy paid up. | Loan. | Subscription to shares. |
| $107,500.00 | | | $13,000.00 | $13,000.00 | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 179,073.00 | | | | | | |
| 68,000.00 | | | | | | |
| | | | 966,000.00 | 966,000.00 | | |
| 18,740.00 | $26,000.00 | | 113,000.00 | 113,000.00 | | |
| | | | | | | |
| 336,000.00 | | | 929,000.00 | 929,000.00 | | |
| 224,660.00 | | | 213,000.00 | 213,000.00 | | $50,000.00 |
| | | | 85,500.00 | 85,500.00 | | |
| 565,020.00 | | | 599,805.00 | 599,805.00 | | |
| 178,630.00 | | | 311,500.00 | 311,500.00 | | |
| 168,350.00 | | | 144,870.85 | 144,870.85 | | |
| 150,000.00 | | | 21,774.00 | 21,774.00 | | |
| 196,188.00 | | | 241,980.00 | 241,980.00 | | 390,000.00 |
| 83,300.00 | | | | | | |
| | | | | | | |
| | | | 65,000.00 | 65,000.00 | | |
| 105,212.00 | | | 376,702.59 | 376,702.59 | | |
| 53,000.00 | | | 100,000.00 | 100,000.00 | | |
| 312,000.00 | | | 186,000.00 | 186,000.00 | | |
| | | | 47,000.00 | 47,000.00 | | |
| 241,276.00 | | | 682,000.00 | 682,000.00 | | |
| 94,957.59 | | | 222,094.93 | 222,094.93 | | |
| 270,000.00 | | | 154,392.00 | 152,900.00 | | 32,000.00 |
| 200,000.00 | | | | | | |
| 577,326.06 | | | | | | |
| | | | 24,000.00 | 24,000.00 | | |
| 55,500.00 | | | 20,000.00 | 20,000.00 | | |
| 376,320.00 | | | 350,000.00 | 350,000.00 | | |
| 41,950.00 | | | | | | |
| | | | | | | |
| | | | | | | |
| 3,899,605.00 | | | | | | |
| | | | 88,874.17 | 88,874.17 | | |
| 156,499.33 | | | 15,338.93 | 15,338.93 | | |
| 84,226.36 | | | | | | |
| 233,000.00 | | | 100,000.00 | 50,000.00 | | |
| 275,000.00 | | | 5,000.00 | 5,000.00 | | |
| 135,000.00 | | | | | | |
| | | | | | | |

*Statement of aid, granted and paid to railways by*

| No. | Name of railway. | By Dominion Government. | | | By provincial governments. | |
|---|---|---|---|---|---|---|
| | | Subsidy granted. | Subsidy paid up. | Loan. | Name of Province. | Subsidy granted. |
| 130 | Kent Northern, and | [1]$58,334.27 | [1]$58,334.27 | ..... | New Brunswick. | $135,000.00 |
| 131 | St. Louis & Richibucto (abandoned). | 22,400.00 | 22,400.00 | ..... | do | 21,000.00 |
| 132 | Kettle Valley | 353,709.92 | 353,709.92 | ..... | British Columbia | 675,000.00 |
| 133 | Kingston & Pembroke (C. P. R.). | 48,000.00 | 48,000.00 | ..... | Ontario | 456,493.00 |
| 134 | Klondike Mines | 197,184.00 | 197,184.00 | ..... | ..... | ..... |
| 135 | L'Assomption (abandoned). | 11,200.00 | 11,200.00 | ..... | ..... | ..... |
| 136 | Lake Erie & Detroit River. | 571,851.00 | 571,851.00 | ..... | Ontario | 83,000.00 |
| 137 | London & Port Stanley. | ..... | ..... | ..... | ..... | ..... |
| 138 | Liverpool & Milton (Halifax & South Western). | 32,000.00 | 32,000.00 | ..... | ..... | ..... |
| 139 | Lotbinière & Megantic | 96,000.00 | 96,000.00 | ..... | Quebec | 126,994.00 |
| 140 | Manitoba Great Northern (nil). | ..... | ..... | ..... | ..... | ..... |
| 141 | Maganetawan River | 3,552.00 | 3,552.00 | ..... | Ontario | 10,000.00 |
| 142 | Maritime Coal, Railway & Power Co. | 40,700.00 | 40,700.00 | ..... | Nova Scotia | 39,788.00 |
| 143 | Massawippi Valley | 5,376.00 | 5,376.00 | ..... | Quebec | 5,000.00 |
| 144 | Midland of Manitoba (nil). | ..... | ..... | ..... | ..... | ..... |
| 145 | Minudie Coal & Railway Co. | 18,544.00 | 18,544.00 | ..... | ..... | ..... |
| 146 | Montreal & Atlantic | ..... | ..... | ..... | Quebec | 444,000.00 |
| 147 | Lake Champlain & St. Lawrence Junction. | ..... | ..... | ..... | do | 250,280.00 |
| 148 | Montreal & Province Line. | 58,560.00 | 58,560.00 | ..... | Quebec | 231,122.00 |
| 149 | Montreal & Vermont Junction (nil). | ..... | ..... | ..... | ..... | ..... |
| 150 | Moncton & Buctouche. | 102,400.00 | 101,600.00 | ..... | New Brunswick. | 96,000.00 |
| 151 | Morrissey, Fernie & Michel (nil). | ..... | ..... | ..... | ..... | ..... |
| 152 | Napierville Junction | 173,440.00 | 173,440.00 | ..... | Quebec | ..... |
| 153 | Nelson & Fort Sheppard (nil). | ..... | ..... | ..... | ..... | ..... |
| 154 | New Brunswick Coal & Ry. Co. | 190,400.00 | 190,400.00 | ..... | New Brunswick. | 224,000.00 |
| 155 | New Brunswick & Prince Edward Island. | 113,440.00 | 113,440.00 | ..... | do | 99,708.90 |
| 156 | New Westminster Southern (nil). | ..... | ..... | ..... | ..... | ..... |
| 157 | North Shore (N. B.) | 27,616.00 | 27,616.00 | ..... | New Brunswick. | 16,200.00 |
| 158 | Nosbonsing & Nipissing (nil). | ..... | ..... | ..... | ..... | ..... |
| 159 | Northern New Brunswick & Seaboard.[2] | 86,528.00 | 86,528.00 | ..... | ..... | ..... |
| 160 | Ottawa & New York | 262,384.00 | 262,384.00 | ..... | Ontario | 35,000.00 |
| 161 | Philipsburg Ry. & Quarry Co. | 23,712.00 | 23,712.00 | ..... | Quebec | 25,667.00 |
| 162 | Pontiac & Renfrew | 13,600.00 | 13,600.00 | ..... | do | 17,433.60 |
| 163 | Quebec Bridge & Ry. Co.[1] | 374,353.33 | 374,353.33 | ..... | do | 250,000.00 |
| 164 | Quebec Ry., Light & Power Co. | 96,000.00 | 96,000.00 | ..... | do | 306,945.50 |
| 165 | Quebec Central | 541,877.30 | 541,877.30 | ..... | do | 1,076,123.14 |
| 166 | Quebec Oriental | 828,435.84 | 828,435.84 | ..... | do | 1,596,390.00 |
| 167 | Quebec & Lake St. John. | 1,454,695.00 | 1,261,463.50 | ..... | do | 2,533,000.00 |
| 168 | Quebec & Saguenay [1] | 132,633.60 | 133,633.60 | ..... | ..... | ..... |
| 169 | Quebec, Montreal & Southern, including. | 500,386.25 | 500,386.25 | ..... | Quebec | 210,000.00 |
| 170 | United Counties, East Richelieu Valley. | 69,952.00 | 69,952.00 | ..... | do | 115,215.00 C |
| 171 | South Shore | 296,998.38 | 296,998.38 | ..... | do | 276,645.00 |
| 172 | Red Mountain (nil) | ..... | ..... | ..... | ..... | ..... |
| 173 | Rutland & Noyan (nil) | ..... | ..... | ..... | ..... | ..... |
| 174 | Southampton (N. B.)[1] | 48,442.88 | 48,442.88 | ..... | ..... | ..... |
| 175 | Salisbury & Albert | [2]29,665.45 | [2]29,391.01 | ..... | New Brunswick. | 455,000.00 |
| 176 | Schomberg & Aurora | 48,000.00 | 46,144.00 | ..... | ..... | ..... |

[1] Includes used iron rails.

[2] Under construction.

*Governments and municipalities, to June 30, 1913*—Continued.

| By provincial governments—Continued. | | | By municipalities. | | | |
|---|---|---|---|---|---|---|
| Subsidy paid up. | Loan. | Subscription to shares. | Subsidy granted. | Subsidy paid up. | Loan. | Subscription to shares. |
| $135,000 00 | | | | | | |
| 21,000.00 | | | | | | |
| 200,000.00 | | | | | | |
| 456,493.00 | | | $509,320.00 | $509,320.00 | | |
| | | | | | | |
| | | | | | | |
| 83,000.00 | | | 356,500.00 | 356,500.00 | | |
| | | | | | $1,332,854.00 | $414,000.00 |
| | | | | | | |
| 126,994.00 | | | | | | |
| | | | | | | |
| 10,000.00 | | | | | | |
| 39,788.00 | | | | | | |
| 5,000.00 | | | | | | 65,000.00 |
| | | | | | | |
| | | | | | | |
| 315,891.89 | | | | | | 528,000.00 |
| 250,280.00 | | | 51,000.00 | 36,000.00 | | |
| 231,122.00 | | | 25,000.00 | 25,000.00 | | |
| | | | | | | |
| 94,500.00 | | | | | | |
| | | | | | | |
| | | | 10,000.00 | 10,000.00 | | |
| | | | | | | |
| 224,000.00 | | | | | | |
| 99,708.90 | | | | | | |
| | | | | | | |
| 16,200.00 | | | | | | |
| | | | | | | |
| | | | | | | |
| 35,000.00 | | | 85,000.00 | 85,000.00 | | |
| 25,667.00 | | | | | | |
| 17,433.60 | | | | | | |
| 250,000.00 | | | 300,000.00 | 290,817.46 | | |
| 306,945.50 | | | | | | |
| 1,076,123.14 | | | 103,000.00 | 103,000.00 | | |
| 947,199.25 | | | 50,500.00 | 9,000.00 | | |
| 2,368,816.88 | | | 12,000.00 | 12,000.00 | | 450,000.00 |
| | | | | | | |
| 207,565.00 | | | | | | |
| 115,215.00 | | | | | | |
| 276,645.00 | | | 25,000.00 | 25,000.00 | | |
| | | | | | | |
| | | | | | | |
| 455,000.00 | | | 70,000.00 | 70,000.00 | | |

*Statement of aid, granted and paid to railways by*

| No. | Name of railway. | By Dominion Government. | | | By provincial governments. | |
|---|---|---|---|---|---|---|
| | | Subsidy granted. | Subsidy paid up. | Loan. | Name of Province. | Subsidy granted. |
| 177 | Stanstead, Shefford and Chambly (nil). | ..... | ..... | ..... | ..... | ..... |
| 178 | St. Clair Tunnel | $375,000.00 | $375,000.00 | ..... | ..... | ..... |
| 179 | St. Lawrence & Adirondack. | 149,481.60 | 149,481.60 | ..... | Quebec | $70,400.00 |
| 180 | St. John and Quebec[1] | 174,120.96 | 174,120.96 | ..... | ..... | ..... |
| 181 | St. Martins | [2] 83,612.54 | [2] 83,612.54 | ..... | New Brunswick | 145,600.00 |
| 182 | St. Maurice Valley (C. P. R.). | 173,120.00 | 173,120.00 | ..... | ..... | ..... |
| 183 | Sydney & Louisburg (Dom. Coal Co.). | 89,600.00 | 87,808.00 | ..... | Nova Scotia | 87,808.00 |
| 184 | Thessalon & Northern Ontario.[1] | 6,112.00 | 6,112.00 | ..... | ..... | ..... |
| 185 | Temiskaming & Northern Ontario (Ontario Government Ry.). | ..... | ..... | ..... | ..... | ..... |
| 186 | Temiscouata | 645,950.00 | 645,950.00 | ..... | Quebec<br>New Brunswick | 362,250.00<br>66,000.00 |
| 187 | Thousand Islands | 61,200.00 | 29,840.00 | ..... | Ontario | ..... |
| 188 | Toronto, Hamilton & Buffalo. | 57,600.00 | 57,600.00 | ..... | do | ..... |
| 189 | Vancouver, Victoria & Eastern (nil). | ..... | ..... | ..... | ..... | ..... |
| 190 | Victoria & Sidney | ..... | ..... | ..... | British Columbia. | 124,135.00 |
| 191 | Victoria Terminal Ry. & Ferry Co. (nil). | ..... | ..... | ..... | ..... | ..... |
| 192 | Wellington Colliery Co. (nil). | ..... | ..... | ..... | ..... | ..... |
| 193 | York & Carleton | 32,896.00 | 32,896.00 | ..... | New Brunswick | 25,247.00 |
| | Total | 96,378,272.99 | 94,729,562.29 | $25,576,533.33 | ..... | 35,478,319.89 |

[1] Under construction.

*Governments and municipalities, to June 30, 1913*—Continued.

| By provincial governments—Continued. | | | By municipalities. | | | |
|---|---|---|---|---|---|---|
| Subsidy paid up. | Loan. | Subscription to shares. | Sudsidy granted. | Subsidy paid up. | Loan. | Subscription to shares. |
| | | | | | | |
| | | | | | | |
| $70,400.00 | | | | | | |
| | | | | | | |
| 145,600.00 | | | | | | |
| | | | | | | |
| 82,000.00 | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 362,250.00 | | | $25,000.00 | $25,000.00 | | |
| 66,000.00 | | | | | | |
| | | | 10,000.00 | 10,000.00 | | |
| | | | 268,000.00 | 265,500.00 | | |
| | | | | | | |
| 124,135.00 | | | 186,202.50 | 186,202.50 | | |
| | | | | | | |
| | | | | | | |
| 25,247.00 | | | | | | |
| 33,449,985.16 | $2,750,030.00 | $300,000.00 | 13,083,530.40 | 12,834,674.98 | $2,404,498.62 | $2,839,500.00 |

Mr. LLOYD. The New York Central man ought to know something about Canada.

Mr. PETERS. Mr. Chairman, is it not a fact that a majority of the Canadian roads are subsidized by their Government?

The CHAIRMAN. I can not answer that question, but I think they are. Some of them are, I know.

Mr. PETERS. I think that is one of the reasons that they have been so parsimonious in their payments on account of mail, because of the large subsidies that have been granted the railroads in encouraging their building and developing. I have understood that their post-office department shows a surplus, and that this arrangement that has been made to give the railroads increased pay was an experiment, and I inferred that there was an implied promise to readjust later on. I am informed that their surplus prior to last year was about a million and a half dollars, and they were willing to give the railroads one-half of that surplus, and they increased the railroads' pay accordingly. They had not paid the railroads amounts at all compensatory with their service. There have been no adjustments for a number of years, and this adjustment was on account of taking on the parcel post and to help the roads out, with a promise that if the surplus from the post-office department should be increased and the burdens of operation should be increased, there would be a further adjustment.

The CHAIRMAN. Do you see any differences of condition that would prevent the careful consideration of what Canada has done in this case in our study?

Mr. ROWAN. There are large benefits they receive in Canada which we do not receive in the United States. I know; for example, in building the St. Lawrence & Adirondack road, the Canadian Government gave a subsidy of, I think, about $7,000 a mile. I am not familiar with the subsidies that have been given to other railroads, but they vary. It is pretty well understood that the Grand Trunk Pacific that is putting through this wonderful road from one coast to the other has been given very large guaranties in lieu of subsidies.

Mr. LLOYD. What is the cost per mile of the Grand Trunk to which you refer? Do you know?

Mr. ROWAN. I do not know, Mr. Lloyd. They are building a road up there in the wilderness, miles from everywhere else, and it will do a great thing for Canada; it will develop the whole northern country, and it is a great venture for a railroad to undertake such construction, and they can only do it with the help of the Government. The Government up there is glad to help them, because they are going to benefit, because it is going to open up a country that has never been opened up before.

The CHAIRMAN. Gen. Stewart, I infer from this that they only have two units there in the handling of the mail service; that is, that they only have a unit of 60 feet and a unit of 30 feet for distribution service. What difference in conditions in the United States would make it impracticable to apply only two units here? The greater volume of business, the greater number of trains?

Mr. STEWART. I inferred from the reading of the letters that, while there is a difference in the size of the cars, the practical application of the rates would reduce them to two units.

The CHAIRMAN. That is what I understood.

Mr. STEWART. The full cars to be paid for at the same rate for a car less than 60 feet, as has been provided for a 60-foot car; the same for an apartment less than 30 feet as for a 30-foot car. The railroad conditions, as well as the mail-service conditions, differ considerably in the two countries. While I have not thought especially about it, I should say offhand that we would find it a little more difficult to adapt ourselves to fixed units of those sizes in this country on account of the diversity of the mail service, the larger number of trains that run over a road, and perhaps the volume of the service. I think where you increase your frequency you are bound to decrease the amount of mail that you can concentrate on a train, and it is our policy now to use every train on a road that is available for mail service where the patrons want the service.

The CHAIRMAN. In that connection is your policy toward concentration of mail movement or rather toward distribution of mail movement—that is, breaking them up into more frequent movements?

Mr. STEWART. At the present it is toward distributing and breaking it up, because we aim primarily to secure expedition. The public demand is for mail on practically every train.

The CHAIRMAN. And that will always be so, undoubtedly, in the mail service?

Mr. STEWART. I think so, because when the public has become accustomed to a facility it is impracticable to withdraw it, and that is a settled condition in this country. We can, I think, practice concentration of mails to some extent.

The CHAIRMAN. By concentration of mails?

Mr. STEWART. Yes. I believe that under the proposed plan there is a certain amount of concentration that may be practiced economically by the department, and which would inure to the benefit of the railroads as well, because wherever we could concentrate the mails and utilize full cars, our disposition would be to do it, which would lessen the requirements for equipment. I should say that there are those main differences, as I think of them, between the service in the two countries.

The practical operation under a space-basis plan would bring the services a little nearer together.

The CHAIRMAN. But would the differences between the two countries affect at all the adoption of a policy as to a higher relative rate for an apartment than for a full car? They are diametrically opposed in their action to your views on that, I notice.

Mr. STEWART. I noticed that. The theory on which they have made a higher rate for an apartment car is not stated. I have at different times mentioned the different conditions which I personally thought might be taken into account as reasons for fixing a lower rate for apartment cars. Whether those conditions exist in Canada in the railroad world I do not know, and my suggestion to make a different rate here is, of course, based upon the idea that the differences exist here.

The CHAIRMAN. And they might not have considered even these same points in their conclusions. Dr. Lorenz, has anything occurred

to cause you to change your conclusion in reference to the overpay or underpay of the railroads to-day?

Dr. LORENZ. No, sir; nothing at all. I have tried to make it plain, however, in my statement that I thought the railroads were somewhat underpaid on a strictly commercial basis. I think it is obvious those rates in Canada were not fixed on a commercial basis, because whatever difference of opinion there may be regarding costs, we are absolutely certain that these rates mentioned would not pay the operating expenses of railroads in this country for rendering mail service.

The CHAIRMAN. That is, without subsidy?

Dr. LORENZ. Without subsidy? No. Irrespective of the question of subsidy, the mere operating expenses.

The CHAIRMAN. Would not pay the cost of operation, 16 cents a car-mile?

Dr. LORENZ. I mean the operating expenses of running of trains and maintenance, etc.

The CHAIRMAN. What is generally conceded to be the operating cost, per car-mile, on a 60-foot car? Has that been determined by the Interstate Commerce Commission?

Dr. LORENZ. No, sir; because that would involve the separation of expenses between freight and passenger which we have discussed a great deal. I make that statement on this basis, that if you assume that the passenger department is as profitable as the freight department, you will get a percentage of expenses which you can apply to the passenger revenue, and that for the United States, as a whole, would give you about 17½ cents operating expenses on a passenger-train car-mile, which would be increased for the passenger department if less profitable. It will be decreased if it is more profitable, but as it is improbable that the passenger department of the country, as a whole, is more profitable, I conclude that 17½ cents is a minimum expense. The Post Office Department found it to be a little higher than that for the average passenger-train car, although they assumed that the mail cars were somewhat less expensive because they did not allow the mail car to participate in all the accounts as, for example, traffic expenses.

The CHAIRMAN. Do you think that the passenger revenue now received by the railroads is a fair compensation to the railroads—25 cents a car-mile on an average? I should say, is it your impression, for I do not suppose anyone has been able to come to an absolute conclusion.

Dr. LORENZ. I would not like to express any positive opinion in advance of that determination, which I hope will be made in the next few years, after this question of the division between freight and passenger expenses has been more definitely thrashed out.

The CHAIRMAN. That will take some years for determination?

Dr. LORENZ. I think it will take over a year to compile the expenses themselves; that is, they would have to allow a year to elapse in order to have a year's statistics upon which to base a conclusion.

The CHAIRMAN. From the available information and from the action of the various State railroad commissions, do you think that a 10 per cent reduction of the passenger revenue of the railroads for a determination in the fixing of rates for mail pay is ample protection to the Government?

Dr. LORENZ. I think that is true. That is the point which I expressed in my report, and I am still of the same opinion. I wish to emphasize again, at the risk of emphasizing it too often, that any rate which you name must always be taken into consideration in connection with the method of authorizing the space. If you authorized only the used space, it is obvious that the rate must be higher than for the used and the empty space, just as you find the return for a loaded car-mile in freight service is more than if you take the average for the loaded and empty car-miles; so the rate is meaningless unless you have the paragraph showing the method of authorization right alongside with it.

The CHAIRMAN. I would like to ask some of the railroad representatives present, taking the three plans that have been suggested—the three-unit plan suggested by Mr. Lloyd, the Lorenz plan, and the departmental plan—which of the three, eliminating for the time being the question of rates, in the method of ascertainment of the service has the greater advantages?

Mr. BRADLEY. I will say it is hard to answer that question categorically or offhand. I would say that the result reached by Dr. Lorenz's plan shows that he takes into consideration better the various elements that are involved in the problem, but his plan would necessarily be complicated in administration, because it associates itself with the ascertainment of the average load per car. I think the simplest of the plans is that suggested by Mr. Lloyd, as to the units, with a flat rate for the car space, except as modified by the consideration that we have spoken of between the retail measure for mail apartment cars as compared with the wholesale measure for the full car.

The CHAIRMAN. Would not the adoption of the Lloyd unit minimize the possibility of friction between the department and the transportation company?

Mr. BRADLEY. I think just to the extent that the number of units is reduced.

The CHAIRMAN. You think there will always be friction under any plan between the the Government and the transportation company?

Mr. BRADLEY. I do not see how there can help but be.

The CHAIRMAN. Under any possible plan?

Mr. BRADLEY. Any possible plan; due to the fact that the authorization of space depends upon discretion or opinion, and opinion varies according to individuals.

The CHAIRMAN. True; but the Government has to initiate that authorization, does it not?

Mr. BRADLEY. Yes.

The CHAIRMAN. Hence it must be left to the discretion of an individual for that initiation?

Mr. BRADLEY. Yes.

The CHAIRMAN. It would be an absolute impossibility for the railroad performing the service to designate what service they would perform for the Government.

Mr. BRADLEY. I think the initiation should come from the Government.

The CHAIRMAN. Then it has to come from a governmental representative, so we are confronted with that on which we all agree is a necessity. Criticism to that would not be applicable where it is an absolute necessity for the performance of a duty or an activity.

Mr. BRADLEY. If you could only discover some rule by which the unit furnished would be the same as the unit authorized the problem might be solved, I think.

The CHAIRMAN. It seems to me you come nearer to the discovery of such a rule in Mr. Lloyd's suggestion where the department, representing the Government, notifies the transportation company as to its requirements. You are absolutely sure of getting a credit for every performance of such a requirement, assuming that the rates that might be paid are fair rates. However, elminating at this particular phase of the discussion the question of rates and assuming that the rates will be fair, as the purpose will unquestionably be to make them fair on the part of the Government, if it can be determined and demonstrated what would be fair rates, it seems to me that scientifically space is the better factor for a determination of the service rendered than weight, as under the present situation. My mind is still open, but that is the impression I have. I do not mean that I have come to any conclusion in reference to any of these plans that have been suggested, but as I start out I find my mind continually impressed with the idea that space is a more scientific plan; that there is merit in all of the suggestions that have been made for the substitution of space for weight. It further seems to me that the fewer units you have the less the probability of irritation or difference of opinion. I also feel that the Government is amply protected so long as the sole right of initiation rests with the governmental employee; that the transportation company is amply protected in getting a credit for the performance, where the credit applies to each performance. It is a decided advantage over the present method where you have your quadrennial weighing.

I would like to understand or get your criticisms as to that basically, if you please, and to ask you whether your objections are not based upon an uncertainty of rule and regulation, whether if it was enacted into law some of your fears would not be minimized and your objections removed if the law stated specific rates and few units.

Mr. BRADLEY. That is getting at the kernel of the whole subject.

The CHAIRMAN. Absolutely.

Mr. BRADLEY. Why, it seems to me that the service rendered by the railroads to the Post Office Department is more easily recognized in the transportation of the weight of mail than in the amount of space furnished; yet it might be that the space furnished would be a simpler measure of determining the price of the original service which was performed in the transportation of the mails. However, I think it would occur to one that when you are measuring the service by an element that is only incidentally involved in the original service, which is the transportation weight, you are taking some chances by accepting a basis of settlement which does not directly reveal the essential service rendered. In other words, you enlarge the possibilities of misunderstanding. On the other hand, the ascertainment of a certain number of pounds and the distance it is transported is comparatively simple and does not seem to lend itself to very much misunderstanding.

The CHAIRMAN. Yet there is no system you can evolve, unless you have daily weighings, by which you can weigh every piece that is transported, and you will be transporting some business for which you receive no compensation.

Mr. BRADLEY. Yes.

The CHAIRMAN. Under the other plan—the space plan—you would be receiving compensation for some space that was not utilized by the Government, which would be just a reversal of existing conditions, it seems to me, on the measure of the service rendered.

Mr. BRADLEY. I think have seen at the hearings here the different opinions that have played around the table in regard to significance of space and the latitude which the department should have in connection with its initiatory move to determine the amount of space that it will require, and I think it has also been shown how difficult, perhaps impossible would not be too strong a word, it would be for a railroad company to accommodate itself economically to the varying authorizations by the department.

The CHAIRMAN. The fewer the units, however, the less the difficulties. That is true, is it not?

Mr. BRADLEY. A long step forward might be made if the department were required, as under Mr. Lloyd's plan, to recognize the full units that are prescribed in the law and to keep its necessities somewhere within those units. Very calmly there was discussed here during the past two days the making of authorizations for as long as one month, and this morning it was mentioned that a steel postal car would cost approximately $12,000. Now let us seek an analogy. A very commodious residence can be built for $12,000, and if a prospective tenant went to the owner to lease the house for one month and wanted to decide himself how much space he would need and change that authorization from month to month, I do not think it is at all likely that he would get a very friendly reception.

The CHAIRMAN. True; but does not the same objection apply to the present system? Can not the Post Office Department divert its mail if conditions were such that it would be, in the opinion of the department, beneficial to the Government to do so?

Mr. BRADLEY. Yes.

The CHAIRMAN. Would not the same apply to the weight basis?

Mr. BRADLEY. No; I think not; because it has been the policy of the department for the past 30 or 40 years to concentrate the mails on the shortest and most expeditious route.

The CHAIRMAN. Would there not be the same policy in the substitution of space for weight?

Mr. BRADLEY. Well, I do not know. Space is so largely a matter of discretion and opinion that I have not undertaken to apply the new bill to the Pennsylvania Railroad system. I felt the range of discretion was so wide that it was quite useless to apply those rates to the existing service.

The CHAIRMAN. Gen. Stewart, by the adoption of the system of space for a weight basis can you conceive of any change in the administration policy that would inject any new factors that would at all divert the run of the mail, namely, efficiency and cost to the Government, which at the present are the determinate factors?

Mr. STEWART. I can not. There would be a tendency to concentrate the mails sufficiently to utilize the space authorized and to conduct the service as economically as possible.

The CHAIRMAN. And if the rate were based on the utmost carrying capacity of the space in weight, they could not get into a given

space any more than a certain weight of mail or certain volume of mail, and when they wanted more they would have to call for more space, and the moment you called for more space the railroads would get credit for it. It seems to me, from a railroad standpoint, that the substitution, so far as getting compensation for service performed is concerned, is an infinitely preferable one to the existing method of your quadrennial weighing, because I think we all concur that the mail steadily increases annually, and will, in the development of the country, necessarily steadily increase.

Mr. BRADLEY. Would not the weighings have to continue in order to verify the amount of the space which the department could authorize?

The CHAIRMAN. Not if a rate was determined based entirely upon the space basis.

Mr. BRADLEY. That, in turn, resting purely on opinion.

The CHAIRMAN. You mean space?

Mr. BRADLEY. Yes.

The CHAIRMAN. It is immaterial what the opinion of an individual might be. You could not get any more than the maximum weight in a given space; the personal equation there has no effect. If you received a fair compensation for the maximum carrying capacity of a given space, I should think you had absolute protection.

Mr. MACK. Your idea being that all of the mail would be carried in these three classes of cars?

The CHAIRMAN. Yes.

Mr. MACK. If there was a 15-foot car the Post Office Department would have to accommodate itself on that scheme to that 15-foot apartment.

The CHAIRMAN. The triple unit.

Mr. MACK. And there would not be any overflow mail in baggage cars if the mail varies and fluctuates from day to day?

The CHAIRMAN. The pouch mail would be worked out. I think Mr. Lloyd made a suggestion yesterday in reference to that. No conclusions have been reached, but it is simply to take up these different suggestions that have been made, and while we have an opportunity to interchange ideas in reference to them in the hope of getting additional light, I think we should do so.

Mr. LLOYD. Apparently the Canadian Government has worked out the suggestion I made yesterday. They allowed 4 cents for the pouch service. I suggested 3 cents, which was on the basis of 18 cents; if it was a higher rate it would be higher. Or, if we changed the rate making a little—that is, charged more for the shorter space—the rate would be still higher. I think that is worthy of consideration. For instance, if we fix the rate for a 60-foot car at 20 cents, the 30-foot car at 11 cents, and 15-foot car at 6 cents, that would correspond with the Canadian idea. Then, if we carried it a little further and provided that any mail, it does not make any difference how small, carried in a pouch they would receive 3 or 4 cents a mile for, it would entirely eliminate the necessity for weight and make an absolute payment in space.

Mr. MACK. I speak now of the overflow mail.

Mr. LLOYD. If there is overflow mail you are to have pay for it in any system, I would suggest?

Mr. MACK. With this condition, that there would be overflow mail unless the car was big enough to take care of the extreme maximum condition. With a space basis the overflow mail would be elastic, and there would be no space basis at all. That is due to the fluctuations, and I do not think the department would concede that it is necessary in the administration of the service, day by day, to have overflow space.

Mr. LLOYD. If they ordered a 60-foot car, and that is the authorization made by the Government and the demand made upon the railroad company, and they furnished the 60-foot car and it turns out that that is not sufficient, they would make further authorization; but all that you have to do is to furnish the 60-foot car. You have complied fully with the demands made upon you; that is, to furnish a 60-foot car. If any further authorization is made for a larger amount of mail you could get pay for it.

Mr. MACK. What happens to the mail in such a case? There is a 60-foot authorization, and the mail would not go into it.

Mr. LLOYD. I would suppose this to be true, that ordinarily you would not have any trouble about that authorization, because the maximum authorization would be intended to be a sufficient authorization to meet at least a little bit more than the ordinary demands of the mail.

Mr. MACK. For instance, on the train that I discussed yesterday, we do not have exclusive storage cars, but we have a carload and a half of mail distributed into three cars. I do not understand how the conditions of transportation could be met by specific authorizations of cars. Those are actual conditions of service.

The CHAIRMAN. Suppose you had the three units, 60, 30, and 15 feet, and there was overflow mail and you were allowed 3 or 4 cents a mile for the pouch mail. Would not your overflow go into the pouch mail?

Mr. MACK. It varies. It destroys your units. There would not be any value in 15 and 30 foot units if the overflow mail was going into the baggage cars. You would not have a space basis at all.

The CHAIRMAN. Then, the absolute protection would be that the Government could send no mail except pouch mail that did not go in one of the three units?

Mr. MACK. You would not have any space basis without it was fixed on a maximum, just like renting a house; if you rent a house you have your limitation, and you can not use somebody else's property.

Mr. LLOYD. Mr. Bradley, on this space basis theory, taken the plan suggested by the department, which allows pay for space and eliminates the side and terminal service. Which would you rather accept, that plan as the provision of law or the reduction of 5 per cent in the present railway mail pay on the Pennsylvania system?

Mr. BRADLEY. You mean which is the lesser of two evils?

Mr. LLOYD. Yes; the lesser of two evils?

Mr. BRADLEY. The reduction of 5 per cent, if the conditions justified it.

Mr. LLOYD. I base that question on the statement made by Gen. Stewart that he believed that the system would result in a reduction in railway mail pay of $2,500,000, which would practically be 5 per

cent. Now, if the railway mail pay is 5 per cent too large under the present system, we ought to make a reduction of 5 per cent, and the other system, according to the suggestion of Gen. Stewart, is a reduction of 5 per cent.

Mr. BRADLEY. But I do not answer the question on that basis. I answered the question purely on the basis that if we suffered the 5 per cent reduction we would know precisely what it was, while under the other plan we do not know what the reduction in pay would be, because it is largely a question of individual interpretation.

Mr. MACK. And it would create a complete change in readjustment. For instance, on the 33 routes on which the department worked out tables there were 22 routes with reductions, 11 routes with increases—increases representing $21,772 and the decreases representing $44,909. I see one instance of two round trips of 30-foot cars in daily service of 1,230 pounds. It is rather difficult to see how two round trips in service would be maintained on a space basis.

Mr. LLOYD. If the deductions made in document 105 by the department are correct, then some railroads are now receiving too much and other railroads are not receiving enough. You people have not as yet made any ascertainment at all, or given us any light except in one or two cases, as to what would be the general effect of this proposed change. It might be that these roads that are now making money would not make any money and the roads which at the present time are losing money might turn the other way and make money. You people have not made for us any ascertainment at all to determine what is going to be the general effect upon the railroad systems of the country.

Mr. MACK. Should not the department have submitted that statement?

Mr. LLOYD. I will be perfectly frank. I think the railroad companies, when we started out, knew that the question before us was to determine whether we should go from a weight to a space basis, and that they were expected to give us some information on the question of space, but you people from the beginning started out on the theory that you were going to stand by the existing law and ask for an increase in rates on the existing law, and you have given us but very little information on the question as to what will be the result if we go to a space basis. I think you people have made a serious blunder in that, too. Certainly you have from the commission's standpoint, because you have not given us the information which we need and the information which you could have given us after a study of 12 months.

Mr. SAFFORD. I think perhaps that criticism is a little broad, because when you take into consideration the administrative features of this bill it is clearly impossible for any railroad to figure out what will happen. I tried, but I could not tell what the attitude of the department might be as to how the service might be stated, what the routes would be, or what sort of a basis to figure on.

Mr. LLOYD. You have a splendid basis on which to start. You have the basis that you now furnish.

Mr. SAFFORD. It does not follow that the law will be administered on that basis.

Mr. LLOYD. I appreciate that, but if you had come to us and said after a careful and fair investigation of the matter on the space basis,

the bill will have this effect upon our pay, then we would have had a basis upon which to work, but you have not done that.

Mr. SAFFORD. We do not feel that we could stand on that, at least I did not. I could not find a basis. I took Dr. Lorenz's plan, and I applied that to different routes on our system, and I found that we would lose about 25 per cent on that. Then when I found that the bill proposed by the Post Office Department was less favorable as to rates and that it contained more objectionable administrative elements, I knew it was worse and I was discouraged and I did not figure it.

Mr. BRADLEY. For instance, one of the provisions in the new law is that the Postmaster General shall restate all the mail routes, thus putting into somewhat different language, the same idea that Dr. Lorenz introduced, the establishment of mail lines. Our interpretation of that was that it was an entire departure from the present mail route. Then a terminal charge was to be added and one could not tell whether it would be merely an initial charge and terminal charge, or whether it would also apply to the important intermediate junctions where similar charges would be entirely logical and proper. Then the department in its plan provided for a great many more units than Mr. Lloyd, and we could not tell how existing units would be treated in relation to the new units. We could not tell how the department would reduce its authorization in connection with the use of the full car. We might furnish a 60 or 70 foot car and under the new arrangement they might conclude that 40 feet was all that was needed. There were so many factors dependent on the determination of the department in each individual case and which the department itself is probably not able to make, that it has been impossible to work out a satisfactory result.

Mr. LLOYD. But the department comes to us with a general statement and they work it out.

Mr. MACK. I have shown you the effect upon our lines, as nearly as we could estimate, of what space might be allowed. All of it is a matter of dispute and opinion and it shows very great losses.

Mr. LLOYD. I appreciate that you show a 40 per cent loss. Somebody is going to get that as a gain; that is unquestionably true, because if the department's statement is correct, that there is only two million and one-half dollars difference between the old system and the proposed system, there is not going to be a 40 per cent reduction to you. It is true you would get a 40 per cent reduction according to your estimate, but somebody else will get a 25 per cent gain, and we have not any information from the railroads as to who is going to get that gain. There is only one railroad here that admits it might have a gain and that is the Long Island.

Mr. ROWAN. No two people can figure it out the same. Mr. Wishart, of the New York Central, tried to figure it out, and he said it was so unreliable that he did not even send the figures to me. I understand it would show a substantial loss, and the department figured it out that we would get more money.

Mr. SCOTT. The clause we were discussing yesterday, in regard to maximum pay for car runs, was almost impossible for Gen. Stewart to explain how he would administer that. We could not make an application of that unless we know how it is going to be administered

to at least some degree. I have been as anxious to find out about this as anybody, but I must confess I do not know where to begin.

Mr. MACK. The question of opinion is absolutely eliminated upon the weight basis. The object of transportation itself determines our pay. We feel that is very much safer.

Dr. LORENZ. Has the history of the past 10 years shown that weight eliminates controversy? It seems to me the big controversy in the last 10 years has been caused by weight and not space basis. You have had very few controversies regarding R. P. O. cars, but your divisor and your quadrennial weighing are probably the big problems that have caused trouble, and they are the result of weight and not the space basis.

Mr. BRADLEY. If you always used the same yardstick in space most of these difficulties would be eliminated. It occurs to me, Mr. Chairman, that there is a phase of the matter worthy of attention, although perhaps it would be more appropriate for your own deliberations, and that is, if the department officers came to Congress with an estimate for a very large increase in the appropriation for railway mail pay, and its estimate was sharply questioned. At present they can explain that it is arrived at by the actual weighing of the mail transported. In the future case they would be obliged to explain that their officers and employees had convinced them of the necessity for authorizing a large amount of additional car space. Would that be as convincing, do you think, to the Committee on Post Offices and Post Roads as the actual amount of weight transported?

The CHAIRMAN. I should think so; yes. It would minimize the possibility of the public impression that at times has existed that there was padding of the mail. It would eliminate any such supposition or possibility existing.

Mr. PETERS. That could be eliminated, could it not, if the statement was made by the department that they would do all the weighing? The railroads can not do it. They do not have their men in the cars on the line, but it is done by the department.

The CHAIRMAN. I understand that; but I am stating that the impression had some weight in the country, and possibly the impression would be eliminated by the substitution of space for weight.

Mr. PETERS. They might just as well say that the railroads helped to measure the space and padded the space.

Mr. LLOYD. But every man can see how the cars are used. There is no secret about that, and it is open to the whole public if you have a space system. Here is a train running which has one 60-foot car; everybody understands that, and there is no secret about it. The element of mystery has been removed. After all it is not a question of satisfying this commission or satisfying the post office Committee of the House or the Post Office Committee of the Senate, but the important thing is to satisfy the American people, and the American people wish to be satisfied with that which they can see for themselves. The more mystery you remove in a system the more satisfactory it is going to be to all.

Mr. MACK. It occurs to me the question that the public is most vitally interested in and has always been is not the detailed question of the method but the question of overpay or underpay. That is the great question the American people are interested in, to know that the railroads do not get too much, and if they do not get enough

they want them to get enough. I think it is out of the question to expect the American people to analyze detailed rates as applicable to the mail service, and it seems to me, so far as the people are concerned—perhaps in course of time it may be different—the only interest they have is to know the Government does not pay the railroads too much.

Mr. LLOYD. How are the people going to find it out?

Mr. MACK. They are depending on the information from your committee.

Mr. LLOYD. We do not bind the American people.

Mr. MACK. I know, but the question is before your commission to determine, and I believe the country will accept the judgment of your commission in that respect.

Mr. SCOTT. Mr. Lloyd just said a few moments ago people can see themselves the number of cars used; if we have a 60-foot car in a train the people can see it. If they see a car westbound loaded with mail, all right; but if they see it coming back empty how long will it take before they will begin raising questions about that?

Mr. LLOYD. That seldom occurs. It does not occur except with storage cars, and it does not affect the railway mail car, because where we have an outgoing car you have an incoming car.

Mr. SCOTT. In different degrees, of course.

Mr. LLOYD. The space proposition settles all that question, because if you start out with a 60-foot car you have to come back with it.

Mr. MCCAHAN. Mr. Lloyd, what would happen in a case of this kind: In the service they have a 40-foot distribution, and a 60-foot car is operated; the car is equipped with 50-foot facilities, by leavng out 5 feet of rack. They have given orders to keep out of that car direct mail until they see whether they have space enough to put in the working mail. That does not happen every day, but they are on record in issuing those orders. What protection would we have under a case of that kind?

Mr. STEWART. If I understand Mr. McCahan's question, it relates entirely to a situation that arises under existing law, where we are obliged to carefully scrutinize the space for distribution purposes for which we pay additional money over and above compensation for transportation. On this new basis my opinion is that the situation he suggests will not arise, because we will get all the mail in the mail car and pay for it.

Mr. MCCAHAN. We can not get it in there now?

Mr. STEWART. Then we would authorize additional space.

Mr. MACK. In what way? As to the question of overflow. That is the point I raised a while ago.

Mr. STEWART. If it were a general condition, of course we would have to authorize the next unit. If it were only an occasional overflow and it were not provided for by an additional unit regularly authorized, it would take care of itself in exactly the way it now takes care of itself under the weight basis. During the weighing, if overflow mail is handled you get credit for the additional weight and receive pay for it for four years. In the same way the maximum pay would be determined during the statistical period.

The CHAIRMAN. Would there be any statistical period under your plan?

Mr. STEWART. We have eliminated the weighing, except that we would undoubtedly take statistics for a period to determine the space needs.

The CHAIRMAN. That is one of the strong features of the plan—that you do eliminate the weighing?

Mr. STEWART. We are providing for weighing at the initial point.

The CHAIRMAN. Is that necessary for the plan?

Mr. STEWART. It has been suggested that it be eliminated.

The CHAIRMAN. To return to the overflow mail, suppose that the law adopted three, four, five, or six units and made no allowance for overflow mail. What would be the practical operation? You would have to authorize an additional unit or the overflow would have to wait over until there was space for it in some following train? What would be the objection to that?

Mr. STEWART. There would be no objection to it, but we could meet a condition of that kind if it occurred frequently by making a special authorization, just as we do now in New York City where we have a wagon contract on a mileage basis. Besides the regular authorizations of trips we authorize the postmaster to use a certain number of additional trips during the month, if necessary, giving him the privilege of ordering the extra service as occasion may require. He reports at the end of the month how much of it he has used and the contractor gets paid for it. We could make similar authorizations under this statute to cover extra or emergency services that might be required and pay for such as were used.

The CHAIRMAN. What is the increase in weight, or estimated by the department, during the holiday season during those 15 days? Was there 5 per cent or 10 per cent increase over the normal or 20 per cent?

Mr. STEWART. Yes; more than that.

The CHAIRMAN. You get no pay for that under the present system. Under the space system you would get compensation for that.

Mr. PETERS. Would we?

The CHAIRMAN. You must, for there can be no overflow if the department is required under the law to send the mail.

Mr. STEWART. Let me supplement what the chairman says in regard to that. Up to a few years ago the railroads did not get additional pay for the extra railway postal cars operated during the Christmas season, but believing that they should receive pay for such cars, for the last few years I have been authorizing additional full car space temporarily during the Christmas season to provide compensation for the same. We would do the same thing under the proposed plan whenever the emergency arose.

The CHAIRMAN. You would have to, for it would be compulsory if there was no overflow recognized in the bill.

Mr. MACK. The question of overflow is a very considerable question.

Mr. LLOYD. Here are two questions. There is no difference, however, and I am sure we are all of the opinion that all overflow mail shall be paid for?

The CHAIRMAN. For every service performed you should get a fair compensation?

Mr. LLOYD. This must provide for that overflow if we go to a space basis?

Mr. MACK. But the overflow mail eliminates to a large extent your maximum unit of space in the apartment car?

Then the question comes up as to how far that overflow mail is transported. We get a little light on the practical administration on the Denver & Rio Grande as based upon the statistics of the department taken in 1909. A train started out of Denver with a 30-foot apartment and the railroad company reported over part of the line 20 feet of overflow space, not in one of the baggage cars, but two parts of baggage cars. The department allowed 10 feet from Pueblo to Grand Junction, the railroad company reported 5 feet, and the department eliminated space altogether, and so on over the lines.

The CHAIRMAN. Repetition of those occurrences would be impossible if there was no recognition of overflow under the proposed plan?

Mr. MACK. It is very essential if you go to a space basis to eliminate overflow mail.

The CHAIRMAN. Supposing there wasn't any overflow. How would the space basis appear to the minds of you gentlemen.

Mr. MACK. From our viewpoint we do not regard it as satisfactory, because the question of opinion is involved in every instance in regard to the amount of space.

The CHAIRMAN. But they would be minimized in the possibility of units, possibility of friction, and misunderstanding.

Mr. BRADLEY. Might I suggest that if this clause in the law were changed it might meet the difficulty: In computing the mail-car space to be paid for, let the word "authorized" be changed to "furnished" and let the maximum space furnished in either direction be regarded as the space to be paid for.

The CHAIRMAN. That would always be a question of discussion and controversy.

Mr. BRADLEY. Why should not the railroads be paid for what is furnished unless it is furnished dishonestly?

The CHAIRMAN. You should be paid for every service you are performing, that you are requested by the department to perform, and you should receive, in my opinion—and I think in the opinion of every member of the commission—a fair compensation for the service rendered. The question with us is how to arrive at a basis to insure that—the simplest, best, and most certain.

Mr. BRADLEY. There is a severe penalty against padding the mails, because there were, many years ago, two or three instances of that. I believe there is an imprisonment of 20 years, and a fine of $5,000. Suppose there was a similar penalty against the dishonest supplying of space by the company and this word was changed from "authorized" to "furnished." Is not the term 'furnished" a better description of the service rendered by the railroad company than the word "authorized," if you are considering the actual thing?

The CHAIRMAN. Then why not add "authorized and furnished"?

Mr. BRADLEY. I am afraid that does not help us.

Dr. LORENZ. Is it not true that to-day additional storage cars are authorized just as they are needed? Is it not true that if there is a certain rush of mail the mail clerk would telephone to the railway man and say, "Give us another car on this train to-day," and there is immediately a car switched in?

Mr. BRADLEY. No; the word "authorization" is not properly used there. Authorization means the order by the department that carries pay with it. To-day, if another car is needed, the railroad company furnishes it automatically.

Dr. LORENZ. The needs of the department are met by the request on short notice. As I understand it, the department could provide for the immediate authorization of additional storage cars as needed. I do not see why the overflow could not be taken care of by authorizations from day to day, if a leeway is given, just as General Stewart has shown in the case of the wagon service. They could authorize space in baggage cars.

Mr. BRADLEY. Are you speaking for the department now? I do not think the department has made any such statement as——

Dr. LORENZ. General Stewart has just given an illustration of where the postmaster was allowed to provide for additional service.

Mr. STEWART. It is now the practice to do that on wagon routes where the contract is on a mileage basis, such as the route in New York City. This provides a good illustration of how the space basis would work out in railroad service. We pay for the trips performed and the mileage made in that kind of wagon service. A certain number of trips between certain points are authorized regularly, which we find a great improvement over the old system, under which a contract at a flat rate was made for all service that might occur in four years, like the railroad service is now. We find it a great improvement to contract for service on the mileage basis. However, we can not foresee all the service which we are going to need, so, in addition to the regular trips authorized, we issue a supplemental order authorizing the postmaster to use a certain number of additional trips between certain points during the month. The postmaster calls on the contractor for the extra trips as he needs them in the service and reports that additional service to the department monthly, and we pay for it. My idea is that we will take care of all this extra service in the same way, by issuing orders authorizing additional space to be used if needed in addition to the regular space authorizations.

Mr. LLOYD. I think that the proposed bill covers that. You say that new service and additional service may be authorized at not exceeding the rates herein provided for. "At not exceeding" may be left out. A service may be reduced or discontinued and operated as the needs of the Postal Service require. That is intended to cover that.

Mr. MCCAHAN. Does not that refer to the permanent new service?

Mr. LLOYD. That might be; yes.

The CHAIRMAN. The absolute elimination of overflow mail; that is, no recognition of any overflow mail under the law, and that the department would have to call for space as needed would make the space basis less objectionable?

Mr. BRADLEY. I think so.

The CHAIRMAN. General Stewart, could you explain how you would administer a law substituting space for weight in any of the plans that have been suggested, either the department's, Dr. Lorenz's, or Mr. Lloyd's plan? That would be the modus operandi of authorization of space, the individuals who would originate it, who would be responsible for it and the notice to the railroads?

Mr. STEWART. Speaking in a very general way my opinion is, if Congress adopted the plan we have suggested, or something similar to it, that the plant now in operation in the service would merge into the new system in a simple manner. The new authorizations on the space basis would be continuations in most cases of the present authorizations. We now have the full R. P. O. car service, which we would continue practically on the same authorization. We have the apartment car service, in which space is not now specifically authorized. This we would authorize just as we do the full-car service. That would cover all the service excepting the closed-pouch and storage-car services, providing the closed-pouch service was not put on a space basis as Mr. Lloyd suggested. If that were put on a space basis, it would be easy to authorize that at so much a car-mile.

Mr. LLOYD. That does not affect the plan at all, as I understand it?

Mr. STEWART. Not at all. The recommendation for authorizations to cover the needs of the service, of course, would come from the field officers to the department as at present. The field officers would take up the question and report upon the conditions as they exist and the needs of the service as they see them and make recommendations. Those recommendations would come along the line through the division superintendent of the Railway Mail Service to the general superintendent and through the division of railway adjustments to the Second Assistant Postmaster General, who would determine and make orders of authorization.

The CHAIRMAN. He authorizes. Does he notify one of his subordinates?

Mr. STEWART. Yes, sir.

The CHAIRMAN. And the subordinate notifies the railway?

Mr. STEWART. The company is notified direct by the second assistant where it involves pay, and at the same time the division of Railway Mail Service is informed, and the detailed arrangements with the company are taken care of by that division.

The CHAIRMAN. Go from the second assistant?

Mr. STEWART. Yes.

The CHAIRMAN. Then you would receive the information as to when that authorization was furnished by the road and the credit would be immediately open to the road to the extent it was furnished?

Mr. STEWART. Credit would be given from the date fixed in the order of the second assistant authorizing the service. From that date the railroad company would be entitled to the credit. Then, in the matter of payment, we would have the actual service performed reported each month by the railroads, and the reports verified and certified by the Railway Mail Service just as they are now. These reports are signed by an officer of the railway under oath and are checked by the Railway Mail Service; when they come in, the accounts are audited and payments made for service performed each month.

The CHAIRMAN. The payment would be the same each month?

Mr. STEWART. Would be the same. In cases where we needed more than the regular service supplemental orders would be issued to cover the additional service, and so much of that service as was used during the month would be reported and paid for. The rest, of course, would not be paid for.

The CHAIRMAN. If we eliminated overflow mail, and the law was so drawn as to require the department to call for additional authorization, when there was overflow or delay to the mail the operation of such a law would be that the Government would always have through efficient administration a little excess space to use there over a period of days or months; the average must necessarily be so, and good administration would require that.

Mr. STEWART. Yes, sir; and there would be more of that if you reduced the number of units.

The CHAIRMAN. Mr. Lloyd asked the question awhile ago, which impressed me strongly and led to the idea in my mind, whether you gentlemen in approaching this subject had not given attention, and quite properly so, to the rates rather than to the method.

Mr. BRADLEY. I think there are many details that are not appreciated; for instance, General Stewart was speaking about the cars he needed in the service. No doubt in this country you can find every size mail-apartment car and every size R. P. O. car mentioned in this proposed bill; but each company does not have them. Now they are supplied to the Postal Service as the result of years of cooperative consultation and arrangement between the railway company and the division superintendent of the Railway Mail Service. Under the new bill the requirement for different sizes would be compulsory. A company to-day having a 20-foot apartment might be given an order to-morrow to reduce it to a 15-foot apartment for an authorization covering only an engagement for one month.

Mr. LLOYD. Would not the 15, 30, and 60 foot units to a great extent relieve you from that complaint?

Mr. BRADLEY. Yes; just so far as you reduced the units you reduce the cause of irritation; and I might make a further suggestion, that a clause be put in here under which it would be compulsory for the department to pay for any changes in the construction or alteration of mail-apartment cars when it issues an order reducing the space authorized. If the pay for increased space really made full allowance for the cost of the repairs, that might not be specifically mentioned; but if the department gave notice for a reduction in its authorization, and it was required in connection therewith to pay for that alteration, that requirement would check the undue use of that administrative power.

The CHAIRMAN. Is it probable that there would be many instances of that reduction under the three-unit plan?

Mr. BRADLEY. I can only say there would be much less reason for friction under one unit than three units, and less under three than under five. I want to refer to a remark Gen. Stewart made yesterday and to-day about expensive terminals. I desire to refer you to the description that I included in the statement for the Pennsylvania Railroad Co. regarding the terminal service at New York on pages 433–434, volume 2. The New York terminal extends practically from Newark, N. J., to a point on Long Island, a distance of about 12 miles; it includes not only the trackage, very solidly constructed between those points, but also two tunnels under the North River and four tunnels under the East River as well as all the other tunnels and construction in New York. All of that wonderful work, one of the engineering triumphs of the world, is represented in the total cost of about $100,000,000. What attracts attention especially is the station edifice. Including

the value of the real estate and the excavation as well as the construction, the station edifice and its appurtenances would probably not exceed 25 per cent of the total expenditure. The passenger waiting rooms, of course, attract admiring notice, but are only a small fraction of the total facilities. In so far as that building is beautiful and costly, it is only out of decent regard for the opinions of mankind just as the new post-office building adjoining it is built along beautiful lines and in architectural harmony with its purpose. No doubt one reason for the high cost of these terminals is the high price of real estate. That would apply also to the new post-office building in Washington adjoining the Union Station. Of course the Government would not think of locating it in the outskirts of Alexandria to save expenses. Now coming to the actual use of the terminal facilities, the department being indisposed in this case to debit itself with even 1.95 per cent of the capital cost, I have made a careful estimate there as to the occupancy of the tracks at the Pennsylvania Station, New York City, because the tracks are the real facilities, and I found that about 11 per cent of the trackage facilities out of the Pennsylvania Station were used for the mail service. It would, therefore, not seem unfair to charge the mails with less than 2 per cent of the capital expenditure.

Mr. STEWART. I am not objecting to charging the mails with its share of trackage-facilities costs, but it is the participation on the car-foot-mile ratio in the cost of the expensive station facilities in which the mails are only remotely interested to which I object.

Yesterday the Baltimore & Ohio, through Mr. McCahan, submitted a statement, which, of course, the department has never had a chance to see, although Mr. McCahan said he had had it for some time. He has not asked the department to check or verify it. I do not think I could be expected under the circumstances to examine it or make a reply to it, and I wish the record to show the department has not had an opportunity to do that.

The CHAIRMAN. At this point the hearing will adjourn sine die.

(Thereupon, at 4 o'clock p. m., the hearing adjourned sine die.)

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Subsequent to the hearings the chairman received two letters from Mr. John Wilson Brown, one dated April 21, 1914, signed by him as president of the Maryland & Pennsylvania Railroad Co., and the other, dated April 9, 1914, signed as vice president of the Short Line Railroad Association. These letters, which are self-explanatory, are by direction of the chairman submitted for the record, and read, respectively as follows:

MARYLAND & PENNSYLVANIA RAILROAD CO.,
*Baltimore, Md., April 21, 1914.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Railway Mail Pay, etc.*

DEAR SIR: I was disappointed in not being able to attend one of the last sessions of the committee and now have learned that the hearings have closed.

So, if it is in order, I desire to file the inclosed paper which expresses in a condensed form what, to my mind, are the main principles involved in the matter, and suggests a method of ascertaining a proper rate of pay to carrier for the space contracted for by the Post Office Department.

In the hearings the railroads have denied that they rate things by space. This is a mistake, but they fail to recognize it, because the freight is not billed

by space but by weight. They are entangled in their own terms. Railroad people are peculiar as a rule. In all the cases that have come under my knowledge they have either failed to present the right case or, if the right case, have failed to present it in the right way. In this case on both sides each one seems to think that he proves his own case by showing errors on the part of the other. So that after this voluminous argument, oral and written, the department and the carriers seem to be no closer together than at the beginning.

My own opinion is that both sides are in error in their calculations of expense.

Craving your pardon for troubling you with this,

I am, very truly yours,

JNO. WILSON BROWN, *President.*

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BALTIMORE, MD., *April 9, 1914.*

Hon. JONATHAN BOURNE, Jr.,
*Chairman Joint Committee on Railway Mail Pay,*
*Washington, D. C.*

DEAR SIR: The Short Line Railroad Association presents to the committee the following considerations:

In the discussion of this question it has been assumed by the Post Office Department, with little question on the part of the railroads, that the power of the Congress is pretty much absolute in this matter. That, because the power is vested in the Congress to establish post offices and post roads, therefore it has the right to dictate to carriers what they shall carry and at what rate. Is this borne out either in theory or in practice?

The power of the Congress has been decided to be exclusive in the carrying of mail. But what is mail? Is that settled by act of Congress? For example, is the merchandise carriage attached to the post-office service really mail? "Oh, yes," say its advocates, "it is done in Britain," and that is supposed to settle the question. But does it? We can not go to British precedent to settle such question in this country, for the power of Parliament is absolute and has the force of a constitutional provision with us. This whole matter seems to be in nubibus. If it is once granted that the Congress may establish a transportation service of 20, 50, or 100 pounds, what is to prevent its going further and taking off all limit and thus taking over the whole carrying trade? Logically this conclusion is inevitable.

Now as to practice. The dealings of the Post Office Department with carriers has always negatived the power of the Government to dictate to carriers the terms upon which the business must be conducted, and thus far has been an interpretation by the Government of the extent of its powers. The department has approached the carriers not with the law as mandatory, but with a contract by which the carriers agreed to carry the mail on the terms specified. This has always been repeated after each weighing of mails.

This summary statement is sufficient as to the fundamental principle.

There would seem to be no reason why the department should endeavor to obtain from carriers for carrying the mails a rate not only far lower than other shippers, but a rate which does not pay. Although there is a dispute between the department and the carriers as to the cost of the service, there can be no question that the department has obtained a service which affords the carriers no commensurate profit, if any at all. The department practically admits this in the reasons it adduces for its claims on the carriers. The reasons are following :

1. That the Government protects the carrier during a strike.

This, at first blush, seems to have weight, but becomes very light weight when examined. For the protection furnished is only to such passenger trains as carry mails; and even if extended to all passenger trains would be of little benefit, as it is notorious that little profit is made by carriers from passenger business. It affords no protection whatever to freight trains, either from strikes within the railroad service or strikes among the industries upon which the carriers are dependent for a large portion of their trade. This reason, then, seems to have little, if any, force.

2. Another reason upon which the department claims a low rate is that the distribution of the mails through rural regions hastens settlement of those regions and thereby increased carriers' trade.

This reason is also stronger in appearance than in reality. The census reports show a steady decrease in the proportion of rural population in spite of

the immense increase in rural mail facilities. This would seem to dispose of this reason.

3. Another reason is the size and regularity of the business furnished by the Post Office Department.

This reason is evidently dependent upon the profit which accrues to the carriers. If, as the carriers claim, there is no profit, or, as the department claims, the profit is small, it is not a business that the carriers would struggle for. The department's idea of a good profit is 6 per cent of expenses. Not only is it true that business generally can not be successful with such a profit, but examination of railroads' reports the country over reveals the fact that to furnish a reasonable interest on the capital invested requires a profit of 30 or 40 per cent on the gross receipts, which means a much larger per cent on expenses.

This association has asked for relief in the following respects, viz:

1. Pay for an apartment.
2. Annual weighings.
3. Release from deliveries.
4. Increased rate.
5. Divisor for averaging weight to be the number of weighing days.

The Post Office Department in a "Tentative draft of legislation," filed February 12, 1914, concedes the first three of these viz: Pay for an apartment; annual weighings; and release from deliveries; but instead of increasing the rate of pay the sum of all the items of pay, including that for the apartment, is less than the rate now paid, when nothing is allowed for the apartment. We asked for bread and they offer us a stone. This can not be called a square deal.

Again, on page 1059, it provides that the mails shall be weighed for not less than 35 successive days (which would include 4 or 5 Sundays) and the whole 35 days taken as the divisor to ascertain the daily average weight. Now, the short lines, as a rule, carry no Sunday mail. Therefore, by this method of computation the carrier would receive no pay for, say, from one-ninth to one-seventh of the weight carried.

The last paragraph, on page 1059 (beginning new service, etc.), provides that while "service may be reduced or discontinued with pro rata reductions in pay," yet additional and new service may be authorized without additional pay. This is on the rule of "Heads I win and tails you lose."

Then, on page 1060, it provides that "no pay shall be allowed for any wooden full railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department." That is to say, the department will accept the service, for which it will give no compensation. This is hardly in harmony with the benevolent expressions engraven on the new Post Office Building in Washington.

On page 1062, it provides that under two stated contingencies it shall be the duty of carriers to carry the mail at rates prescribed and fixed by the Postmaster General. Duty is a very strong word, especially in relation to a purchase to which the department is a party, and the selling party has not even been consulted about the price. What would be thought of an act that would provide that the Navy Department should fix a price for armor plate and make it the duty of steel companies to furnish it for that price? The statement of such a proposition is its refutation.

It is congruous with this that there follows a penalty of $5,000 for the refusal on the part of the carrier to perform the service at the rates provided by law "when and for the period required by the Postmaster General so to do." Upon what meat has this our Cæsar fed that he has grown so great? These provisions made a crime of the refusal by one party to enter into a contract on the demand of another party.

Now let us look at the matter in a sober, businesslike way. It is patent that the railroads are necessary to the Post Office Department. To go no further, the drastic provisions of this tentative bill are proof of this proposition; otherwise the bill would not endeavor to force carriers to take the business against their will. The carriers have never acted in an arbitrary manner, but, on the contrary, have submitted from time to time to arbitrary acts or demands of the department which have increased their expenses and lessened their revenue.

It is beneath the dignity of the Government to desire to obtain from the carriers what the law forbids a private person to do, i. e., discrimination in its favor. It is more; it is immoral and subversive of law.

The deficiency of the Post Office Department is not due to the railroads. It is due partly to the extension of the service ahead of its requirements and partly to the fact that the Post Office Department is carrying the expenses of

the other branches of the Government. The attention of the Congress has been called to this latter reason, but relief sought has never been obtained. And the Post Office Department still furnishes free use of the mails to all the other departments.

Now for the conclusion of the whole matter:

1. Let it be taken up between the department and the carriers as purely a business transaction, with no question of duty and penalty. The department and the carriers are both in for shekels, not for sentiment; for profit, not for amusement. Both are on the same level.

2. The bulk of the business, at least, and perhaps the whole of it, may be reduced to a question of space used. Take a 60-foot car as a standard of measurement. Find the daily average number of passengers carried, multiply this by the average mileage rate, and the product will be the daily mileage value of the car. The value of an apartment would be prorated according to its size. This space would, so to speak, belong to the department for the term of the contract to transport in it anything connected with the mail.

This leaves open the question of pouch mail, which would, perhaps, not be so difficult of settlement after the car and apartment mail had been settled.

3. Wherever the question of weight of mail comes in the true average should be taken, not something unknown to mathematics.

To sum up, what we consider that we are entitled to ask is—

First. Pay for space which shall be equal to its value otherwise to carriers.

Second. Annual weighings.

Third. Release from deliveries.

Fourth. Increased rate on pouch mail.

Fifth. A true mathematical average where weight is concerned.

Respectfully submitted.

SHORT LINE RAILROAD ASSOCIATION,
By JNO. WILSON BROWN,
*Vice President.*

NOTE.—It is proper to state that, so far as it relates to space, this paper is not intended to express the opinion of the Short Line Railroad Association, but that of the writer.

# INDEX.

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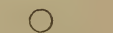
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